Kerry Group
Annual Report &
Accounts 2008

Integrated Solutions for a Global Market

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.

2008 at a Glance

Sales revenue up 6.3% on a like-for-like basis to

€4.8 billion

Trading profit margin increased to

8.5%

Final dividend per share up 12.2% to

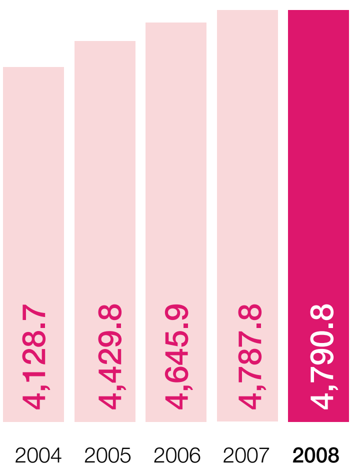
15.6 cent

Free cash flow of

€227 million

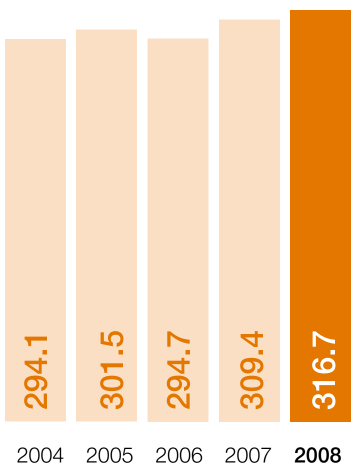
Revenue

€ Million



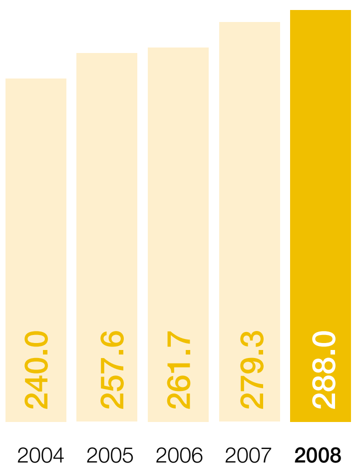
Profit before Taxation and Non-Trading Items

€ Million



Cash (EBITDA*) Per Share

Cent



Trading profit up 8% on a like-for-like basis to

€409 million

Adjusted EPS* up 7% to

153.9 cent

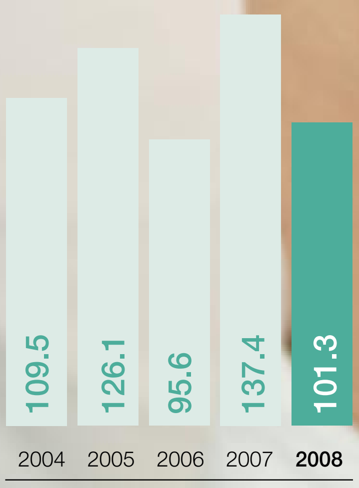
R&D investment increased to

€147.5 million

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

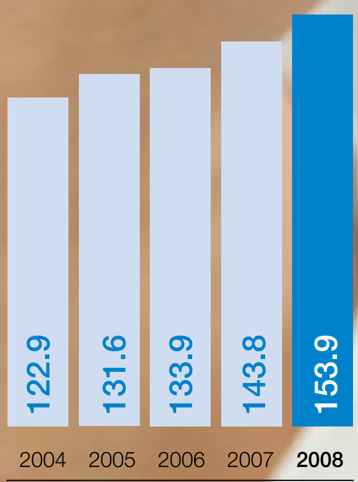
Earnings Per Share

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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Denis Buckley
Chairman

Chairman's Statement

I am pleased to present a good set of results for the Group for 2008. Despite significant cost pressures and trends towards more value conscious food and beverage consumption, Group businesses achieved good organic revenue growth and trading margin improvement.

Kerry's ingredients & flavours technologies continued to lead development and innovation through key customer accounts in many food and beverage sectors. In the UK and Irish consumer foods markets we also benefited from a robust performance by Kerry Foods' brand portfolio – outperforming market growth rates in our primary chilled food categories.

Results

Like-for-like (LFL) sales revenue increased by 6.3% to €4.8 billion. Trading profit increased by 8% (LFL) to €409m giving a 10 basis points improvement in the Group trading profit margin to 8.5%. Adjusted earnings per share increased by 7% to 153.9 cent.

Strategic Development

Details of the performance of Group businesses in 2008 are presented in the Chief Executive's Review and in the Business Reviews of the report. The strategic development programmes underway across Group businesses are achieving excellent results. Kerry has established an unrivalled position as an integrated solutions provider in global and regional food and beverage markets through our ingredients & flavours technologies and applications. Assisted by Kerry Foods' significant brand and marketing investment, we continue to outperform market growth rates in our chosen added value meat, dairy, convenience and food-to-go categories of the UK and Irish consumer foods markets.

Dividend

The Board recommends a final dividend of 15.6 cent per share, an increase of 12.2% on the 2007 final dividend. Together with the interim dividend of 6.9 cent per share, this raises the total dividend for the year to 22.5 cent per share, reflecting an increase of 12.5% on the previous year. The final dividend will be paid on 22 May 2009 to shareholders registered on the record date 24 April 2009.

Board and management changes

Denis Cregan stood down as Deputy Chief Executive of the Group and as an Executive Director of the Company following the Annual General Meeting in May 2008. He will remain with the Company on a contractual basis through 2009. On behalf of the Board, I would like to pay tribute to Denis who has contributed enormously to Kerry's success over the entire history of the organisation. As part of the executive leadership team, Denis served all areas of the Group and at different stages led both consumer foods business development and development across the world of food ingredients & flavours.

I welcome Gerry Behan, President & CEO – Kerry Ingredients & Flavours, Americas Region, who joined the board as an Executive Director in May.

I would also like to thank Patrick A. Barrett, Eugene McSweeney and Michael O'Connor, all Non-executive Directors who retired from the Board at year-end, for their individual contributions to the success of the Group.

Prospects

The Group has the management and financial resources required to successfully grow the business into the future. We are confident that our business plans are aligned to market growth trends and meeting the requirements of our valued customers. The Chief Executive's Review reports management's comments on the prospects for the Group in 2009.

I would like to thank Group management and all employees for their continued efforts in successfully growing the business.

Denis Buckley

Denis Buckley, Chairman
23 February 2009

Chief Executive's Review

Kerry's strategic development initiatives and innovation capabilities assisted achievement of a strong Group-wide business operational and financial performance in 2008.

Despite significant additional cost and currency pressures, Kerry businesses recorded good organic revenue growth and margin improvement. Solid business development and expansion was achieved in Year 1 roll-out of Kerry's 'go-to-market' programme. This customer-focused integrated development strategy, capitalising on the Group's broad based ingredients and flavours technologies and end-use-market applications' expertise, produced excellent results in many key customer accounts.

As economic activity in major consumer markets progressively weakened during 2008, food and beverage consumption trends shifted in response to the needs of budget conscious consumers. Growth through retail channels exceeded foodservice growth where sales declined in some market segments, in particular in full-serve restaurants. Against this challenging background, combining Kerry's ingredients & flavours technologies and applications expertise assisted food and beverage companies in rapidly responding to consumer requirements. Despite the added difficulties posed by the significant depreciation of the sterling/euro exchange rate, Kerry's consumer foods businesses in the UK and Irish markets also performed well in the changing consumer environment. The Group's performance in 2008 also benefited from the strategic investments undertaken over recent years and the on-going programmes targeted at maximising efficiencies and synergies across all Kerry businesses.

Results

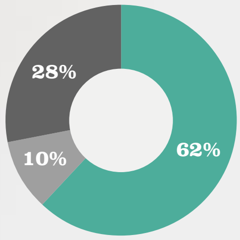
Group sales revenue in 2008 at €4.8 billion reflects an increase of 6.3% on a like-for-like (LFL) basis when account is taken of currency translation, acquisitions and business disposals. Despite the adverse impact of a further 7% increase in raw material and energy related input costs, trading profit increased to €409m, reflecting an 8% increase on a like-for-like basis. The Group's on-going focus on operational efficiencies and cost recovery programmes contributed to the 10 basis points improvement in the Group trading profit margin to 8.5%. Ingredients & Flavours businesses delivered a 10 basis points increase in trading margin to 9.5% and margins in consumer foods advanced by 10 basis points to 6.7%. This performance also reflects the benefits of Kerry's capital investment programmes in recent years. The net cost of the Group's capital expenditure programme in 2008 amounted to €145m (2007: €89m).

Profit before tax and non-trading items increased by 2.3% to €317m. Profit after tax before intangible asset amortisation and non-trading items increased by 4.4% to €269m. Adjusted earnings per share increased by 7% to 153.9 cent. Basic earnings per share decreased to 101.3 cent per share.

Business Reviews

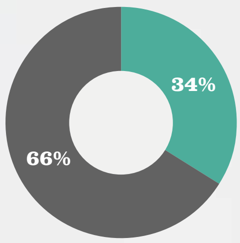
Ingredients & Flavours

Our ingredients & flavours technologies performed well across food and beverage end-use-markets in all territories in 2008. Total ingredients & flavours sales revenue increased by 7.5% (LFL) to €3,388m and trading profits increased by 8.9% (LFL) to €320m reflecting a 10 basis points improvement in trading profit margin to 9.5%. Good progress was achieved in re-alignment of the Group's ingredients, flavours and bio-science businesses.



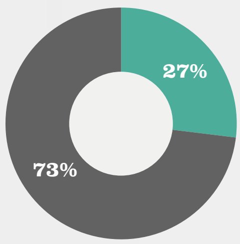
Group Revenue by Destination

Europe	62%
Americas	28%
Asia Pacific	10%



Revenue

Ingredients & Flavours	66%
Consumer Foods	34%



Trading Profit

Ingredients & Flavours	73%
Consumer Foods	27%

In American markets Kerry's ingredients & flavours applications again achieved strong growth. Sales revenue reported at €1,343m reflects 6.7% (LFL) growth. Incorporating flavours with our total ingredients offering through the 'go-to-market' strategy delivered encouraging results and a strong customer response. Demand for natural ingredients and flavours and 'clean-label' continued to grow, as did applications to meet the requirements of quick-serve-restaurants and value offerings for retail brands.

In European markets, despite significant input cost pressures, Kerry's Ingredients & Flavours businesses performed well with sales revenue of €1,245m reflecting 4% (LFL) growth. A strong focus on business efficiencies and cost recovery meant trading profit margins were maintained despite the significant raw material and energy related cost inflation.

Asia-Pacific markets continued to provide an excellent growth platform for Kerry's ingredients & flavours systems. Despite more challenging economic conditions and increases in key input costs, Kerry achieved a strong business performance across all its core technologies and regional end-use-markets. Sales revenue increased to €478m reflecting growth of 19.3% (LFL) year-on-year.

Consumer Foods

As a consequence of the weakening economic landscape in 2008 and the significant depreciation of the sterling/euro exchange rate, trading conditions in the UK and Irish consumer foods markets became increasingly challenging as the year progressed. As the credit crunch began to impact consumer spending from mid-year, a significant contrast in consumption patterns quickly emerged as shoppers became ever more price and value conscious. This led to a marked increase in promotional activity and double digit

Analysis of Revenue and Trading Profit

Revenue	Ingredients & Flavours	€3,388m
	Consumer Foods	€1,774m
Trading Profit	Ingredients & Flavours	€320m
	Consumer Foods	€120m

Brian Mehigan
Chief Financial Officer

Fior Healy
CEO – Kerry Foods

Gerry Behan
President & CEO
Kerry Ingredients
& Flavours,
Americas Region

growth of value retail brand ranges. Kerry Foods positioning in chilled foods growth categories and the division's ability to respond quickly to consumer trends contributed to a satisfactory business performance against such a challenging background. Sales revenue increased by 5.4% (LFL) to €1,774m and divisional trading profit at €120m reflects growth of 5.1% on a like-for-like basis, giving a 10 basis points improvement in trading profit margin to 6.7%.

Finance

Earnings before finance costs, tax, depreciation and amortisation (EBITDA) before non-trading items increased marginally to €503m. In 2008 the Group delivered free cash flow of €227m including a positive contribution of €18m from working capital, having spent €145m on net capital expenditure, €34m on net pension plan payments, €73m on finance costs and €42m on tax.

Expenditure on Group acquisitions amounted to €62m (2007: €79m). Net debt at year-end amounted to €1,164m compared to €1,279m at the end of 2007. Net debt to EBITDA declined to 2.3 times (2007: 2.6 times). Finance costs were €78m compared to the 2007 level of €79m, with EBITDA to net interest covered 6.5 times (2007: 6.1 times).

Net costs associated with realignment of the Group's ingredients, bio-science and flavours facilities in line with the Group's 'go-to-market' strategy in 2008 amounted to €27.3m. The consolidation programme is substantially completed in the Americas Region and will be advanced in the EMEA and Asia-Pacific Regions in 2009. Streamlining of operations and efficiency measures in Kerry Foods in 2008 cost €7.8m. The Group incurred 'incomplete acquisition' costs of €23.2m in relation to the proposed acquisition of Breeo Foods. Following implementation of new regulations in the UK relating to industrial buildings tax capital allowances, the Group incurred a once-off non-cash tax charge of €18.7m in 2008. The total net cash cost in the year under review of non-trading items amounted to €3m.

Arising from the significant expansion of organisational activities and Kerry's 'go-to-market' business strategy, the Group has commenced a major programme to establish common global systems across the organisation to support business development requirements. Phase 1 of this 'Kerryconnect' project will support key areas of the business including customer service, business performance management and global R&D and regulatory systems.

Post Balance Sheet Events

Since year-end the Group has reached agreement to acquire the following businesses for a total consideration of €98m.

Dera Holding NV – a savoury flavourings business, with manufacturing facilities located in Belgium, the UK and the Czech Republic, serving meat, processed foods, bakery and confectionery end-use markets in Europe and the Middle East.

Prima S.A. – a Costa Rican based savoury ingredients and flavours business providing a platform for growth in the Central American food processing and meat industries.

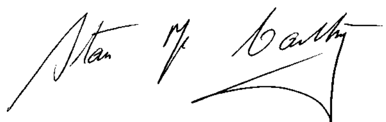
G. Adams Pastry – a Spalding (UK) based cooked pastry products business, strengthening Kerry Foods' manufacturing capability in the UK pastry market.

The Group has extended the maturity dates of its near-term bank facilities (those arising within the next two years). It has also increased the level of committed facilities available to finance the Group's business development programme.

Future Prospects

While contracting economic activity in virtually all major consumer markets will lead to more price conscious consumption trends, Kerry's ingredients & flavours integrated approach to assisting customer product development requirements across all food and beverage end-use-markets and Kerry Foods' capability to respond to consumer convenience and value requirements through our leading brands and customer branded offerings will continue to provide a sustainable platform for profitable growth. Our business model will continue to be aligned to best serve customer requirements through Kerry's 'go-to-market' strategy and Group operations will continue to focus on maximising operational efficiencies and lean manufacturing projects. Through this approach the Group will continue to achieve good organic revenue growth with sustained margin improvement. Our strong cash flow and financial resources means the Group is well positioned to capitalise on complementary acquisition opportunities in our ingredients & flavours and consumer foods businesses.

With the strategic initiatives underway across the Group's selected markets, we are confident of delivering earnings growth in 2009 to a range of 160 cent to 165 cent per share.



Stan McCarthy, Chief Executive
23 February 2009

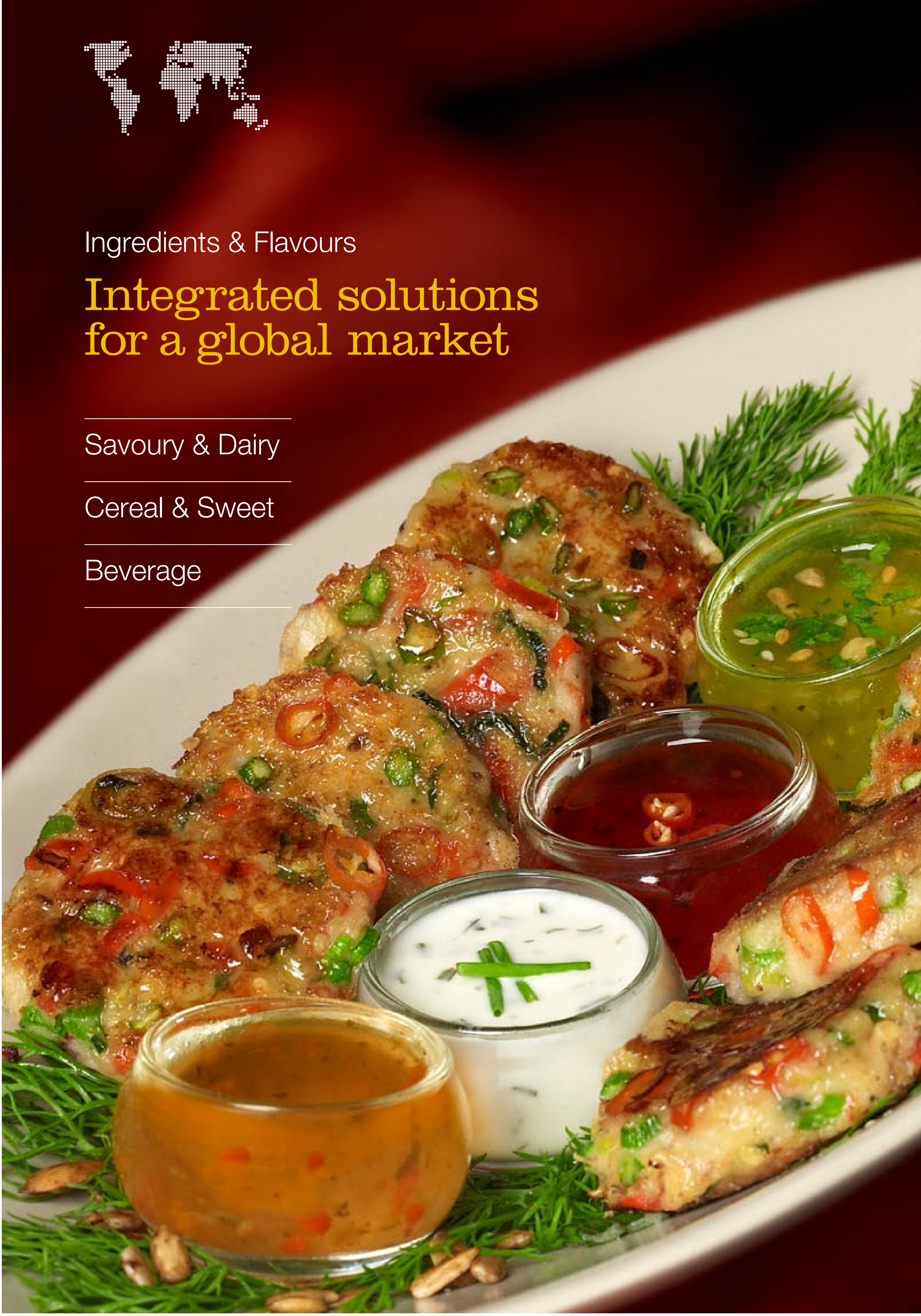
Ingredients & Flavours

Integrated solutions for a global market

Savoury & Dairy

Cereal & Sweet

Beverage



Kerry's world leading ingredients & flavours technologies performed well across food and beverage end-use-markets in all territories in 2008. Good progress was achieved in re-alignment of the Group's ingredients, flavours and bio-science businesses.

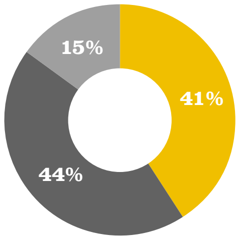
The programme, to fully leverage Kerry's total technology base and end-use-market application expertise in an industry-leading integrated approach to meeting customer product development requirements, was successfully initiated in the Americas Region and will be implemented in the EMEA and Asia-Pacific Regions in 2009. Total ingredients & flavours sales revenue in 2008 increased by 7.5% (LFL) to €3,388m and trading profits increased by 8.9% (LFL) to €320m reflecting a 10 basis points improvement in trading profit margin to 9.5%.

In American markets Kerry's ingredients & flavours applications again achieved strong growth. Sales revenue reported at €1,343m reflects 6.7% (LFL) growth. Incorporating flavours with our total ingredients offering through the 'go-to-market' strategy delivered encouraging results and a strong customer response. This progress was recognised in 2008 through awards such as 'innovation leaders' or 'supplier of the year' by six key accounts. Demand for natural ingredients and flavours and 'clean-label' continued to grow, as did applications to meet the requirements of quick-serve-restaurants and value offerings for retail brands.

The growing demand for complete meal solutions provided good growth opportunities for Kerry's savoury and dairy systems and flavours. Culinary market growth, in particular, soups, stocks and broths presented strong development targets for Kerry's clean-label ingredient & flavour options, low sodium technologies, yeast extracts and aseptic processing capability. The division's dairy ingredient & flavour solutions and frozen sauce technology grew in both retail and foodservice channels through complete meal, chilled side dish and frozen sandwich applications. Despite a difficult North American meat market environment Kerry technologies achieved satisfactory sectoral growth as processors increasingly focused on value-added menu solutions. Sales to seafood and appetiser markets declined in line with the slow down in the full-service-restaurant trade. Kerry's ability to develop new flavours to meet consumer trends in the savoury snack sector led to further growth in particular through regional accounts.

The sweet and cereal industry segments proved more challenging in 2008, as the ice cream, cereal and nutrition bar end-use-markets slowed relative to the prior year. However Kerry achieved above average sectoral growth through innovative concepts and value menu offerings as a result of the Group's unique integrated technology and systems approach to development. Following a major capital investment programme at the Group's Affton facility in St Louis (MO), a new sweet technology campus and multi-process facility was commissioned in 2008, consolidating technologies and expertise acquired through a number of acquisitions in the sweet technology sector in recent years.

Kerry's beverage ingredients & flavours experienced good growth in 2008 driven by ready-to-drink tea, energy drink and new customised beverage foodservice applications. Despite the slowdown in sales through coffee-chain outlets, Kerry continued to achieve satisfactory growth through blended beverages, smoothies and nutritional beverage concepts. To meet the growing demand for nutritional beverages an aseptic facility was acquired and upgraded in Savannah (GA).



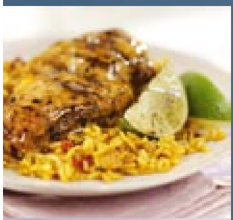
Revenue by Destination	
Europe	41%
Americas	44%
Asia Pacific	15%

Kerry Ingredients & Flavours provides customised product applications to service customer needs across a wide range of end-use-markets in the global food and beverage industries. Our unique 'Kerry Integrated Approach' to customers' specific innovation and product solutions is driven by the Group's industry leading global technology, market application, culinary and sensory teams.

Collaboration and combining knowledge and capability across Kerry's technology platforms ensures specific customer application needs are effectively addressed in all savoury & dairy, cereal & sweet and beverage market sectors.

Ingredients & Flavours	2008	Like-for-like (LFL) Growth
Revenue	€3,388m	7.5%
Trading Profit	€320m	8.9%

Savoury & Dairy



Prepared Meals

Consumers are constantly seeking quality, varied and convenient meal solutions. Kerry offers its customers innovative solutions and development expertise across a wide range of prepared meal applications.

Soups Sauces & Dressings

Our technology expertise provides customers with a comprehensive line of customised soup, sauce and dressing applications.

Savoury Snacks

Kerry Ingredients & Flavours has industry-leading expertise in supplying customers with customised savoury snack solutions in line with changing consumer tastes and dietary health requirements.

Meats

We utilise our considerable experience in meat flavourings, coatings and functional savoury systems to provide customers with innovative product solutions, specifically customised for the meat processing industry.

Appetisers & Side Dishes

Meal accompaniments and appetisers are a key component in consumer meal solutions. Kerry Ingredients & Flavours provides a broad range of specialised appetiser and side-dish concepts and applications to customers.

Dairy

Our positioning as a leading-edge developer of dairy ingredients places us in an unrivalled position to provide customers with a comprehensive range of dairy application solutions.

X-Café LLC, located in Portland (ME), was also acquired in 2008. A producer of premium coffee flavours and extracts, X-Café provides a strong platform for further expansion in the beverage sector.

An industry leading business development, innovation and customer service project costing US$50m was initiated at the start of 2008. Construction of the new Kerry Customer Center, located in Beloit (WI), was considerably advanced by year-end and will be fully operational by mid-2009–providing state-of-the-art customer application suites, research and development facilities, culinary suites, sensory services and a broad range of pilot plant processing facilities to spearhead customer product development and commercialisation into the future.

In line with consumers demand for improved ingredient declarations and more authentic natural food tastes, culinary applications provided good growth opportunities for Kerry's savoury & dairy ingredients and flavour technologies.

Business development across South and Central American food and beverage markets continued to benefit from growth in value-added products and exports in 2008. Vittaflavour LTDA, a Brazilian based flavour company was acquired to complement our ingredients & flavours development capability in the South American beverage sector.

Functional and fermented ingredients recorded good progress in American markets in 2008. Emulsifiers recorded double digit growth in core bakery, confectionery and dairy markets in the region. Enzymes delivered strong growth in the USA and LATAM nutrition, meat and dairy markets. Proteins achieved strong volume growth in cell nutrition and nutritional applications.

While the challenging economic situation adversely impacted prescribing and consumption trends in the pharmaceutical sector, Sheffield™ pharmaceutical lactose, pharma regulatory compliant emulsifiers and FDA registered pharmaceutical flavours achieved good organic growth

Savoury & Dairy

Kerry Ingredients & Flavours develops, manufactures and delivers technology-based ingredients, flavours and integrated solutions for the food and beverage industry. Our customised product applications, benefiting from Kerry's unrivalled technology platforms, serve a wide range of customer end-use-markets across the globe. We are market leaders in serving a broad range of customer needs in savoury & dairy markets through our culinary, dairy, lipids, and meat technologies.

in American markets. The Sheffield™ pharmaceutical excipient product range was also significantly expanded through the launch of high-value tabletting systems.

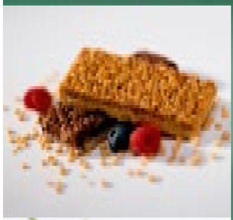
Our new industry-leading Kerry Customer Center in Beloit (WI) will provide a novel approach to product development, innovation and commercialisation into the future.

The sale of the Group's Manheimer Fragrances business in the USA was concluded prior to year-end.

In European markets, despite significant input cost pressures, Kerry's ingredients & flavours businesses performed well with sales revenue of €1,245m reflecting 4% (LFL) growth. A strong focus on business efficiencies and cost recovery meant trading profit margins were maintained despite the significant raw material and energy related cost inflation.

Kerry's savoury and culinary systems achieved a good performance particularly in the UK meat sector. A state-of-the-art culinary facility was commissioned in Hartlepool (UK). Demands for cleaner label and natural savoury products provided a significant increase in demand for yeast extracts. This led to further expansion in production capacity at the Group's Menstrie fermented ingredients production facility in Scotland. Meat seasonings and culinary systems in France performed well but coating systems had a challenging year in recovering costs. Applications into the poultry and seafood sectors in Germany had a strong performance and Kerry also continued to make good progress in Italy in 2008. Business development in Eastern European markets slowed in line with the downturn in economic development. The growth in demand for natural flavours continued to provide good growth for Kerry's snack seasonings throughout all European and Middle Eastern markets.

Cereal & Sweet



Cereals & Bars

Kerry Ingredients & Flavours cereal products technologies support our customers in providing a wide range of offerings to meet consumer needs from ready-to-eat breakfast cereals to convenience cereal bars.

Ice Cream & Frozen Desserts

Kerry's cereal & sweet systems and flavours are utilised in a host of applications including: ice cream, frozen yoghurts, sherbets, impulse novelties, popsicles and shakes.

Bakery

Our combination of cereal and sweet technologies, coupled with our expertise in functional ingredients, provides a full range of products to service customer needs in the bakery industry.

Confectionery

International confectionery markets continue to grow as suppliers expand their geographical reach, whilst demand for low-fat, low-sugar or organic alternatives continues to increase in developed markets.

Demand conditions throughout international dairy markets weakened considerably during 2008. As the year progressed this led to a significant reduction in returns to European dairy processors and milk suppliers. Nutrition, confectionery and snack applications however continued to provide market development opportunities for Kerry's dairy ingredient systems and flavours. Proteins achieved double digit growth across nutrition and cell nutrition applications. New products in the Hyprol proteins range were successfully launched in selected nutrition market segments. The range of products focussed on clinical nutrition development was expanded and considerable success was also achieved through specific products addressing allergen reduction in infants. Enzymes also achieved satisfactory growth in dairy and confectionery markets.

Further progress was made in the development and commercialisation of dairy ingredients and systems with specific flavour benefits.

The challenging conditions in European dairy markets also adversely impacted Kerry's French fruit preparations business. Development of a premium range of fruit preparations for the UK foodservice channel provided good growth and a strong performance was also achieved in Central European markets. Demand for new health/wellbeing offerings continued to provide good opportunities for Kerry's sweet ingredient systems, particularly through coated cereals and cluster systems in the breakfast cereal sector. A new range of low-sugar and health fruit cereal clusters was successfully launched. Fruit nuggets exhibited continued growth in 2008, capitalising on increased demand for fruit inclusions in premium confectionery retail products. Strong volume growth was achieved across the Ravifruit branded products range but trading margins were reduced due to exceptional key fruit raw material cost increases.

Cereal & Sweet

Kerry Ingredients & Flavours has worked consistently with our customers in the cereal and sweet sectors to provide product solutions that exhibit individualised qualities in taste, texture and appearance. Our cereal & sweet technologies combine to provide customer applications for cereal & bars, bakery, ice cream, frozen dessert and confectionery applications.

Syrups and smoothie applications continued to achieve strong growth in the European foodservice sector. Bakery systems also achieved solid growth but volumes in dessert sauce markets were reduced due to the poor summer weather conditions. In the beverage sector the Da Vinci syrups range continued to achieve double digit growth. Enzymes also recorded good growth in Central and Eastern European brewing markets. Enzyme sales in the European bakery sector also grew strongly due to increased demand as a result of challenges posed by higher cereal raw material costs.

Sheffield™ Pharma Ingredients continued to achieve satisfactory growth in Europe by broadening its range of products to meet regulatory requirements and new drug launches by both branded and generic pharmaceutical companies.

Kerry also continued to successfully develop its strategic partnerships with bio-pharma companies in 2008 which led to good growth in protein technologies for cell nutrition.

Asia-Pacific markets continued to provide an excellent growth platform for Kerry's ingredients & flavours systems. Despite more challenging economic conditions and increases in key input costs, Kerry achieved a strong business performance across all its core technologies and regional end-use-markets. Sales revenue increased to €478m reflecting growth of 19.3% (LFL) year-on-year.

In Asia market development and growth was strong in nutrition, snacking and quick-serve-restaurant applications. Lipid systems enjoyed excellent growth particularly through beverage applications in the Malaysian and Vietnamese markets. Nutritional beverages continued to provide good growth opportunities for Kerry's ingredients & flavours in China. With heightened awareness of food safety issues, market development was focused on provision of quality products providing a strong platform for Kerry's full range of technologies including nutritional ingredients and flavours,

Beverage

Soft Drinks

Our beverage systems and flavours portfolio includes carbonated beverages, energy/sport beverages, water & flavoured water, juices, fruit drinks, smoothies, dilutables, concentrates and cordiales.

Alcoholic Beverages

Kerry Ingredients & Flavours' team of brewing & distilling specialists support a comprehensive ingredients range for all of the world's major brewing and distilling markets.

Nutritional Beverages

Kerry has developed specialised ingredients and systems to enhance the nutritional value of beverage products including: infant nutritional, weight control beverages and clinical nutritional products.

Tea & Coffee

Kerry supports customer applications in the tea and coffee sector including: cold/iced tea, cold coffee drinks, hot coffee & tea, tea & coffee mixes, chocolate, cocoa & malt beverages, coffee syrups and creamers.

dairy proteins, enzymes and emulsifiers. Kerry's Business and Technical Centre in Shanghai has been expanded to service customer requirements for the Group's full range of technologies and applications expertise. Biolactase™, Kerry's lactose enzyme range, achieved good growth in dairy applications. Dairy systems and flavours also performed well in the bakery market in Indonesia and dairy/culinary technologies also achieved good growth in Indonesia's growing savoury snack market. PT Armita, a savoury flavourings business located in Jakarta, Indonesia was acquired to assist market development in the snack and noodle sectors.

Emulsifier applications continued to grow in the bakery sector and encouraging growth continues in regional dairy and confectionery markets. The investment programme at the Esterol facility in Malaysia was completed in 2008, extending production capacity significantly and broadening product capabilities to a full range of emulsifiers.

Our Kerry Business and Technical Centre in Shanghai has been expanded to service customer requirements for the Group's full range of technologies and applications expertise.

In the quick-serve-restaurant sector new sauce mixes were successfully launched in the Chinese market and soft-serve blends were introduced in Malaysia. Da Vinci branded products recorded double digit growth in North East Asian markets with wider distribution in Korea, China and Hong Kong. Growth in South East Asia was also strong – in particular in Thailand and Indonesia. Health and well being trends continued to increase demand for Kerry's fruit based ingredients & flavours throughout Asia-Pacific markets. Kerry's offering was significantly expanded in 2008 to include yoghurt beverage bases, new fruit smoothie ranges and iced tea flavours using Kerry's proprietary Crystals technology.

Beverage

Kerry Ingredients & Flavours has invested considerable resources in becoming a leading supplier of beverage technologies to the global beverage industry and partners with some of the worlds major beverage providers to produce convenient, tasty, nutritional solutions which meet consumer lifestyle requirements.

In Australia double digit topline growth was achieved with sustained market development in all key end-use-market sectors and channels. Quick-serve-restaurants in particular achieved good growth in the latter half of 2008. Performance was also significantly boosted through operational efficiency programmes at the Group's three manufacturing facilities and the commissioning of new facilities at the Altona, Victoria site to support growth in the foodservice beverage sector. Progress was also achieved in the development of cereal inclusions technologies targeted at the growing health and nutritional snack bar sectors.

Kerry Pinnacle again grew its 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 Pinnacle continued to grow at encouraging levels against a background of significant change in the Australian bakery market. Supermarket and shop chains continue to grow market share through convenient ease-of-use product solutions. The Melbourne based Sugar and Spice facility acquired in 2007 provided a significant boost to the Kerry Pinnacle range in the lifestyle bakery segment and a range of products were successfully launched under a Sugar and Spice retail brand.

In New Zealand further gains were achieved in the meat processing sector through introduction of innovative added value products. Market development in the snack sector and quick-serve-restaurant trade continued to achieve good results.

Strong double digit growth was recorded in the Asia-Pacific pharmaceutical sector due to the increased manufacturing presence of major global branded and generic producers, as well as through development of new applications for regional generic pharmaceutical companies.


LowLow
lower cholesterol
LowLow
lower cholesterol
LowLow
omega 3


DENNY
TRADITIONAL
Carved
HAM Slices
MIN.
4
SLICES


BITES


I'm new
innocent
tasty veg pot
Moroccan squash tagine
with giant cous cous
& fresh coriander
1 pot = 3 portions of veg


fresh ways
Ciabatta
TACO BEEF


Wall's
FULL OF FILLING
Spicy
CHICKEN
TIKKA
SLICE


Charleville
MATURE
RED CHEDDAR


"MMM..."
Mattessons
GARLIC
Smoked


RICHMOND
8 FRESH SAUSAGES
THICK

Consumer Foods

Continuing to expand our brand portfolio

With the weakening economic landscape during 2008 and the significant depreciation of the sterling/euro exchange rate, trading conditions in the UK and Irish consumer foods markets became increasingly challenging as the year progressed.

By and large consumer trends in the first six months continued in line with previous years as food categories gained growth within their more premium offers. As the credit crunch began to impact consumer spending since mid-year, a significant contrast in consumption patterns quickly emerged as shoppers became ever more price and value conscious. This led to a marked increase in promotional activity and double digit growth of value retail brand ranges. Kerry Foods positioning in chilled foods growth categories and the division's ability to respond quickly to consumer trends contributed to a satisfactory business performance against such a challenging background. Sales revenue increased by 5.4% (LFL) to €1,774m and divisional trading profit at €120m reflects growth of 5.1% on a like-for-like basis, giving a 10 basis points improvement in trading profit margin to 6.7%.

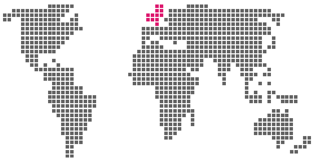
Kerry Foods achieved a robust all-round performance in the UK market. Following significant raw material cost inflation, the overall sausage market remained relatively flat in volume terms but grew satisfactorily in value terms. However Kerry's branded portfolio outperformed the market, recording good volume and value growth. Richmond achieved strong growth in all formats, with significant volume and value market growth further consolidating its No.1 brand positioning. In September, the Kerry portfolio was significantly changed with the launch of the Wall's Classic range replacing both Wall's Standard and the Wall's Favourites ranges. This resulted in improved customer listings, positioning the narrower and more clearly focused brand range for future growth. A Hot and Spicy flavour variant was also added to the Wall's Micro product range. Porkinsons achieved the highest brand growth year-on-year becoming the No.1 premium sausage brand in the category. The launch of Porkinsons Oxford Recipe (Lemon and Nutmeg) variant also successfully extended the brand into the flavoured sausage segment.

In common with many frozen categories, frozen sausage saw a recovery in sales in 2008. Driven by the Richmond brand, Kerry's frozen sausage offering grew volume sales by 25%, far outperforming market growth rates. Mr Brains' branded frozen meat products continued to achieve good sales growth with volume sales increased by over 7% year-on-year. Mattessons had an excellent performance in its two core branded segments–meat snacks and smoked sausage. Fridge Raiders drove growth in the overall meat snacks category and successfully launched two new flavours, Sweet Chilli and Southern Fried. Mattessons Smoked Pork Sausage also achieved strong double digit brand value growth.

Kerry Foods' brand investment continues to drive growth above category growth rates.

In the UK homebaking sector, Green's remains category leader in the mixes market but challenging market conditions in 2008 and a decline in dessert mixes adversely impacted profitability in the sector. This led to a relaunch of the Green's range with a repositioned 'all natural' new product range. Homepride Flour saw satisfactory volume and brand value growth in 2008.

Consumer Foods	2008	Like-for-like (LFL) Growth
Revenue	€1,774m	5.4%
Trading Profit	€120m	5.1%

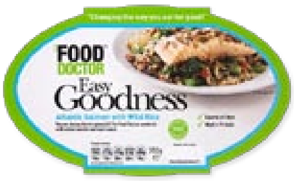


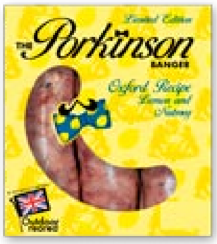
The overall chilled ready meals category saw little growth year-on-year. While the total number of households buying into the category continued to grow, the average spend per customer dipped slightly. Italian and Indian product ranges continued to show good growth, as did the emerging children's meals offering which showed 18% growth year-on-year. Kerry Foods successfully introduced the 'Annabel Karmel' licensed range in October. The 'Food Doctor' branded meals offering continued to grow and the 'Bombay Brasserie' brand range grew by 12% year-on-year in the premium Indian sector. 'Innocent' branded Vegetable Pots were successfully developed and launched by the Kerry Foods Burton product development group. Launched under four variants, each pot contains a tasty, filling meal which includes three portions of vegetables.

The frozen ready meals category stabilised in 2008 and showed encouraging growth in volume and value in the second half of the year. However overall profitability in the sector was again impacted by input cost inflation.

Capitalising on Kerry Foods' strong consumer listings and route to market, our consumer foods growth strategy is focused on continued investment in added value meat, dairy, convenience and food-to-go categories.

While rising raw material prices also impacted margins in the savoury pastry market, the sector showed solid growth year-on-year. Sales from Kerry's Poole facility outperformed market growth rates in the hot pie, pastry and pork pie segments. Launches in 2008 included new snacking and hot pie offerings and 'hot pie on the go' concepts. By year-end, development of a range of pastry products under the Wall's brand was completed ahead of a planned launch in the convenience sector in February 2009.





Kerry Foods Direct to Store remains the No.1 chilled van sales service in the UK market and further consolidated its leading position through the acquisition of the Bernard Matthews van sales service in 2008.

In the cheese and spreads categories of the UK and Irish markets, the Kerry Foods offering continued to outperform market growth rates. In the children's snacking sector Cheestrings was the best performing brand in 2008 with growth of 10% year-on-year. Retailer branded cheese experienced strong growth in Ireland but Kerry's leading brands continued to grow market share. Charleville Cheese, which introduced a novel packaging design format achieved 10% brand growth, further reinforcing its No.1 position in the market. Low Low Cheese also extended its brand positioning growing by 29% year-on-year. EasiSingles also recorded strong double digit growth as did Coleraine – Northern Ireland's No.1 cheese brand. Ficello continues to grow in the French market and Cheestrings achieved an encouraging performance in Holland. Kerry's cheese and UHT products continued to perform well in the quick-serve-restaurant sector.

Our leading brands in the UK and Irish markets outperformed the market, recording good volume and value growth.

The spreads sector saw significant input cost pressures but the overall market achieved some volume growth and double digit value growth. Low Low maintained its brand positioning and Kerrymaid grew by 13% year-on-year in the butter spreads sector in Ireland. Golden Cow delivered over 20% growth – strengthening its position as the No.1 butter and spreads brand in Northern Ireland. Kerry Foods achieved good cost recovery and volume growth in the UK private label spreads category.


BITES

Category growth in the added-value chilled meat products sector in Ireland slowed in 2008 in line with weakening consumer confidence in response to the challenging economic situation. However, the Denny brand in particular demonstrated a resilient and robust performance – despite the difficult trading environment and an industry dioxin scare prior to Christmas. In the pre-packed sliced cooked meats sector Denny outperformed market growth rates across its key ranges – the highlight being the performance of the Denny Carved range which achieved strong double digit growth. The pre-pack sliced white meat sector saw a significant volume decline in the second half of 2008 but Ballyfree achieved a slight increase in its overall market share. Growth also slowed in the ROI rasher sector where Denny maintained the No.1 brand position. In the sausage sector in Ireland, Denny again grew market share in the premium segment but had a reduced share of the standard segment due to increased promotional activity across private label and discounter ranges. In the premium segment, the Denny Delicious range launched in July experienced a strong consumer response and repeat purchase levels.

Kerry Foods' 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.

While sales were lower in the sandwich and food-to-go category in Ireland in the second half of the year, Kerry continued to achieve satisfactory market development in the sector. Freshways further consolidated its position as the leading sandwich brand in the Irish market. The food-to-go portfolio was broadened to include Granola Yoghurt Pots and Freshways Deli Rolls – offering convenient deli-style premium breads

on-the-go. Poor summer weather conditions led to a decline in the Irish bottled water market – in particular the impulse sector. Sales of the Kerry Spring range were impacted in line with the overall market but the brand continues to command leading positions in the flavoured still and sparkling water segments.

The Dawn branded range of chilled juices received a significant boost in 2008 with a quality upgrade to 'NFC' (not from concentrate) juice, supported by a new packaging design and strong marketing programme. This resulted in good volume growth and an increased brand market share.

In the Irish retail milk market, customer branded private label offerings again increased in 2008. Kerry's Dawn and Golden Vale brands maintained market share in the branded sector.

The consumer foods division continues to focus critical attention on business efficiency programmes including on-going investment in shared service development and lean manufacturing.

In March 2008, the Group reached agreement with Reox Holdings plc to acquire Breeo Foods, subject to regulatory approval. In August, the Competition Authority of Ireland announced its decision not to sanction the proposed transaction and in September Kerry filed a Notice of Appeal in the High Court against the decision of the Competition Authority on the matter.

Financial Review

The Financial Review provides an overview of the key influences on the Group's financial performance for the year ended 31 December 2008 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 profit 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 46 to 51.

Analysis of results

Group revenue remained flat in 2008 at **€4.8 billion** (2007: €4.8 billion) while trading profit increased by 2.0% to **€409m** (2007: €401m). On a like-for-like basis this represents revenue growth of 6.3% and trading profit growth of 8.0%. Trading profit margin improved by 10 basis points to **8.5%** (2007: 8.4%) despite significant input cost inflation and currency headwinds. Adjusted EPS for the year was **153.9 cent,** representing an increase of 7.0% on 2007 adjusted EPS of 143.8 cent. Basic earnings per share for the year was **101.3 cent** (2007: 137.4 cent).

Revenue and operating profit

A comprehensive review of the revenue and trading 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 2008 Kerry Ingredients & Flavours began to implement its 'go-to-market' strategy in the Americas and Europe while Consumer Foods initiated a value chain efficiency programme. The after tax impact of these restructuring activities, combined with the disposal of non-core businesses and assets, in the Consolidated Income Statement was a net cost of **€77.0m**. These activities resulted in a net cash outflow (after related tax) of **€3.1m**.

Finance costs

Finance costs for the year decreased by €1.4m to **€77.7m** (2007: €79.1m) as lower interest rates, favourable currency movements and strong cash flows more than offset the impact of acquisitions and the year-on-year impact of the 2007 share buyback programme. During 2008 the Group's average interest rate decreased approximately 30 basis points to **5.8%** (2007: 6.1%).

Taxation

The tax charge for the year, before non-trading items, decreased by 2.8% to **€62.7m** (2007: €64.5m) which represents an effective tax rate of **19.8%** (2007: 20.8%). The decrease in the effective tax rate is primarily due to increased tax credits for research and development expenditure and variations in the geographical split of profits earned.

Dividends

The Board has proposed a final dividend of 15.6 cent per A ordinary share payable on 22 May 2009 to shareholders registered on the record date 24 April 2009. When combined with the interim dividend of 6.9 cent per share, the total dividend for the year increased by **12.5%** (2007: 11.1%).

Retirement benefits

At the balance sheet date, the net deficit for all defined benefit schemes (after deferred tax) was **€116m** (2007: €76m). The increase year-on-year reflects a reduction in asset values partially offset by a reduction in liabilities caused by increased corporate AA bond rates and a decrease in long term inflation expectations.

Key performance indicators

Despite significant commodity cost and currency headwinds in 2008, the Group delivered a robust performance 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 2008 the Group's adjusted EPS increased by 7.0% to **153.9 cent** (2007: 143.8 cent). Currency had a significant impact on reported performance with the average sterling rate depreciating 17% (0.80 V 0.69) and the average US dollar rate depreciating 7% (1.47 V 1.38) during the year. This combined with further commodity cost inflation proved challenging, however the focus on cost recovery programmes along with the rationalisation of certain activities offset these headwinds and 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 **6.3%** (2007: 6.7%) for the Group. At a divisional level, organic revenue growth was **7.5%** (2007: 7.8%) for Ingredients & Flavours and **5.4%** (2007: 5.6%) for Consumer Foods. On a geographical basis, organic revenue growth by destination was **6.7%** (2007: 7.0%) in the Americas, **4.3%** (2007: 5.3%) in Europe and **19.3%** (2007: 17.3%) in Asia Pacific.

- **Trading profit margin** at Group level increased by 10 basis points to **8.5%** (2007: 8.4%). Management considers this a robust performance given the difficult trading environment experienced during 2008. Raw material inflation negatively impacted margin however this was offset through the benefits of growth and cost recovery programmes implemented during the year. Kerry Ingredients & Flavours margin at **9.5%** (2007: 9.4%) increased by 10 basis points as successful cost recovery programmes, particularly in the Americas, offset the negative impact of rising input costs. Consumer Foods margin also increased 10 basis points to **6.7%** (2007: 6.6%) as the benefits of its value chain efficiency 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 **€227m** (2007: €257m) which is stated after net capital expenditure of **€145m** (2007: €89m). The increase in net capital expenditure in 2008 includes the construction of a new 250,000 square foot state-of-the-art customer innovation and commercial centre in Beloit, Wisconsin as well as a major new sweet technology manufacturing facility in Affton, St. Louis.
- **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 2008 was **15.7%** (2007: 14.0%). The Group also measures cash flow return on investment which declined from 10.9% in 2007 to **10.2%** in 2008 due to the increase in development capital spend in the year as outlined above.

Free cash flow

	2008 €m	2007 €m
EBITDA*	503.3	500.1
Decrease/(Increase) in working capital	18.8	(8.6)
Payments into pension plans (net)	(34.5)	(29.3)
Net investment in non-current assets	(145.3)	(88.6)
Finance costs paid (net)	(73.4)	(79.2)
Income taxes paid	(42.0)	(37.2)
Free cash flow	226.9	257.2

** 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 senior notes from capital markets.

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

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

At 31 December 2008 net debt was **€1,164m** (2007: €1,279m). Free cash flow of **€227m** (2007: €257m) was generated during the year and was utilised as follows:

- Expenditure on acquisitions net of disposals, including deferred consideration on prior year acquisitions, of **€20m** (2007: €82m);
- Restructuring and other costs (before proceeds from disposals) of **€87m** (2007: €39m);
- Equity dividends paid of **€36m** (2007: €34m);
- Purchase of own shares of **€nil** (2007: €232m); and
- Proceeds received from the issue of shares of **€1m** (2007: €8m).

The net impact of the cash flows above plus the exchange translation adjustment on profits of **(€5m)** resulted in a decrease in borrowings of **€80m** (2007: increase of €122m). This decrease combined with the exchange translation adjustment on borrowings of **€30m** (2007: €66m) and a fair value movement on interest rate swaps of **€5m** (2007: (€29m)) resulted in a decrease in net debt of **€115m** over 2007. The exchange translation adjustment of **€30m** results primarily from borrowings denominated in sterling translated at a year end rate of 0.95 compared to 0.73 at the end of 2007 and borrowings denominated in US dollar translated at a year end rate of 1.39 versus 1.47 at the end of 2007.

Net debt is subject to seasonal fluctuations that can be up to 25% above year end debt levels.

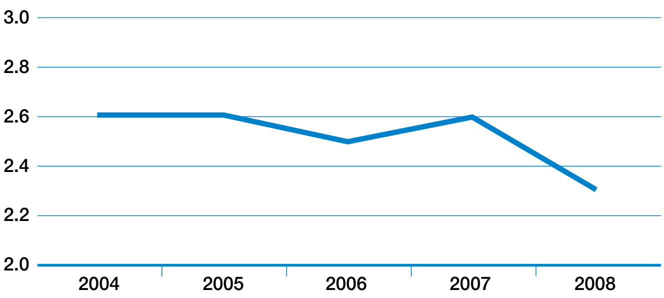
The majority of Group borrowings are subject to financial covenants calculated in accordance with lenders' facility agreements. Principal among these are:

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

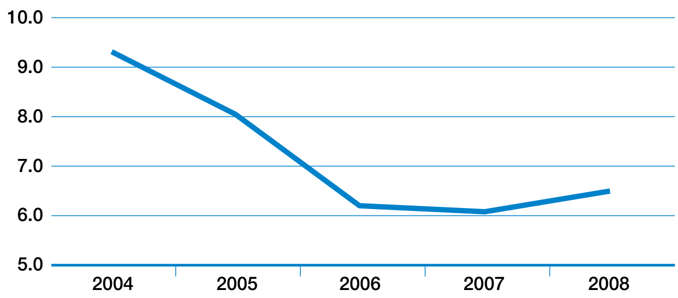
Group treasury monitors compliance with all financial covenants and at 31 December 2008 these ratios were as follows:

	2008 Times	2007 Times
Net debt: EBITDA*	2.3	2.6
EBITDA: Net interest*	6.5	6.1

Net Debt : EBITDA*



EBITDA : Net Interest*



* Calculated in accordance with lenders facility agreements.

Since the year end the Group has extended the maturity dates of its near-term bank facilities (those arising within the next two years). The Group has also taken the opportunity to increase the level of committed facilities available to it.

Shareholders' equity decreased by €85m to **€1,144m** (2007: €1,229m) as profits generated during the year were offset by the negative impact of retranslating the Group's net investment in its foreign currency subsidiaries and the impact of the increase in the pension deficit.

Full details of the Group's financial liabilities and cash and cash equivalents are disclosed in notes 19 and 20 to the financial statements and a full reconciliation of shareholders' equity is disclosed in note 24.

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 principal 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 20 to the financial statements.

Summary and financial outlook

The Group delivered a strong trading performance in 2008. With revenue of **€4.8 billion**, trading profit of **€409m** and free cash flow of **€227m**, the Group has a strong base to continue to meet the challenging consumer, trading and financial environment that prevails. The balance sheet is in a healthy position and with a net debt: EBITDA ratio of **2.3 times**, the Group has sufficient headroom to support the future growth plans of the organisation.

The Group looks forward to further financial growth and development in 2009.

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

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.

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 2008, Group expenditure on research, development and application increased to €147.5m.

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.

The group is fully committed to environmental protection as a fundamental part of all business activity and continues to develop employees' knowledge regarding environmental responsibilities and best practice.

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.


Hazardous
KERRY


KERRY GROUP

- 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.
- 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.

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) is progressing a major international research initiative towards alleviating world hunger.

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.

Good progress was achieved in 2008 through the 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 progressing a major international research initiative towards alleviating world hunger. 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 is contributing €500,000 towards the cost of this major research programme.

Kerry Group Consolidated Income Statement

10 Year History

	1999 €'000	2000 €'000	2001 €'000	2002 €'000	2003 €'000	2004 €'000	2005 €'000	2006 €'000	2007 €'000	**2008 €'000**
Revenue	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	**4,790,770**
Trading profit	203,614	233,747	260,445	305,410	308,519	355,780	380,213	383,688	401,126	**409,234**
Intangible asset amortisation	(12,103)	(15,364)	(23,367)	(41,401)	(48,103)	(9,822)	(10,331)	(12,093)	(12,669)	**(14,891)**
Operating profit before non-trading items	191,511	218,383	237,078	264,009	260,416	345,958	369,882	371,595	388,457	**394,343**
Finance costs	(42,309)	(45,680)	(47,644)	(50,238)	(37,356)	(51,815)	(68,353)	(76,930)	(79,055)	**(77,677)**
Profit before taxation and non-trading items	149,202	172,703	189,434	213,771	223,060	294,143	301,529	294,665	309,402	**316,666**
Income taxes	(44,298)	(51,641)	(58,330)	(66,465)	(62,980)	(74,919)	(65,695)	(57,753)	(64,512)	**(62,695)**
Profit after taxation and before non-trading item	104,904	121,062	131,104	147,306	160,080	219,224	235,834	236,912	244,890	**253,971**
Non-trading items (net of related tax)	(26,663)	450	2,030	(43,403)	897	(15,174)	42	(59,163)	1,228	**(76,996)**
Profit after taxation and attributable to equity shareholders	78,241	121,512	133,134	103,903	160,977	204,050	235,876	177,749	246,118	**176,975**
Adjusted earnings per ordinary share (cent)*	68.0	79.2	87.9	101.8	112.1	122.9	131.6	133.9	143.8	**153.9**

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

Note: 1999 to 2003 are presented under Irish/UK GAAP and have not been restated to IFRS.

Directors

01. Denis Buckley, *Chairman*
02. Stan McCarthy, *Chief Executive**
03. Brian Mehigan, *Chief Financial Officer**
04. Flor Healy, *CEO Kerry Foods**
05. Gerry Behan,
    *President & CEO – Kerry Ingredients & Flavours, Americas Region**
06. Denis Carroll
07. Michael Dowling
08. Noel Greene
09. Kevin Kelly
10. James O’Connell
11. Desmond O’Connor
12. Donal O’Donoghue
13. Gerard O’Hanlon
14. Michael J. Sullivan
15. 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

Contents

The Directors submit their Annual Report together with the audited financial statements for the year ended 31 December 2008.

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 15,000 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 **€177m** for the year. Earnings per share (EPS) before intangible asset amortisation and non-trading items (net of related tax) increased **7%** over 2007 to **153.9 cent**. Basic EPS for the year is reported at **101.3 cent** (2007: 137.4 cent). Revenue for the year amounted to **€4.8 billion** (2007: €4.8 billion). Further details of the results for the year are set out in the Consolidated Income Statement, in the related notes forming part of the financial statements and in the Business Review. The Group's key performance indicators are outlined in the Financial Review.

On 23 February 2009, the Directors recommended a final dividend totalling **€27.3m** in respect of the year ended 31 December 2008 (see note 9 to the financial statements). This dividend is in addition to the interim dividend paid to shareholders on 21 November 2008, which amounted to **€12.1m**.

The payment date for the final dividend will be 22 May 2009 to shareholders registered on the record date 24 April 2009. This dividend per share is an increase of **12.2%** over the final dividend paid on 23 May 2008.

Share capital

Details of the share capital are shown in note 23 of the financial statements. The authorised share capital of the Company is €35,000,000 divided into 280,000,000 A ordinary shares of 12.5 cent each, of which **174,761,685** shares were in issue at 31 December 2008.

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

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

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

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

The Directors have the authority to issue new shares in the Company up to the authorised but unissued share capital of the Company but may only allot shares for cash on a non pro-rata basis up to a maximum of 5% of the issued share capital. This authority will expire in August 2009 and it is intended to seek shareholder approval for its renewal at the Annual General Meeting (AGM) to be held on 12 May 2009.

During the year, **72,050** share options were exercised under the Group's Executive Share Option Scheme. Further details are shown in note 25 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 2008 AGM, shareholders passed a resolution authorising the Company to purchase up to 5% of its own issued share capital but the authority was not exercised. This authority is due to expire on 12 May 2009 and it is intended to seek shareholder approval for its renewal at the AGM to be held on 12 May 2009.

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 39.

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. Other than change of control provisions in those arrangements, the Company is not a party to any other significant agreements which contain such a provision.

Acquisitions

The Group completed a number of acquisitions during the year. The businesses acquired are described in the Chief Executive's Review and in note 28 to the financial statements.

Research and development

The Group is fully committed to ongoing technological innovation in all sectors of its business, providing integrated customer-focused product development. To facilitate this development the Group has, and will continue, to invest in highly focused research, development and application 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 **€147.5m** in 2008 (2007: €145.2m).

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 2008 was **22,312** (2007: 22,398).

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/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.

Board of Directors

The Board consists of four executive and eleven non-executive Directors. The current Directors are as listed on page 32.

Chairman

Mr. Denis Buckley (63) 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 Aryzta AG.

Executive Directors

Mr. Stan McCarthy (51) is Chief Executive and was formerly President and CEO of Kerry Ingredients & Flavours Americas.

Mr. Brian Mehigan, FCA, (47) is the Group's Chief Financial Officer.

Mr. Flor Healy (46) is CEO of Kerry Foods, the Group's Consumer Foods Division.

Mr. Gerry Behan (44) is President and CEO of Kerry Ingredients & Flavours Americas. He was appointed to the Board on 13 May 2008.

Non-executive Directors

Mr. Denis Carroll (58) is a director of Kerry Co-operative Creameries Limited.

Mr. Michael Dowling (64) 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 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 (52) is a director of Kerry Co-operative Creameries Limited.

Mr. Kevin Kelly, FCA, (67) 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. James O'Connell (61) is a director of Kerry Co-operative Creameries Limited.

Mr. Desmond O'Connor (60) 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. Donal O'Donoghue (64) is a director of Kerry Co-operative Creameries Limited.

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

Mr. Michael J. Sullivan, JD, (69) 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 (59) is a director of Kerry Co-operative Creameries Limited and is a member of the Audit Committee.

Board changes

Mr. Denis Cregan stepped down as Deputy Chief Executive and as an executive Director of the Company on 13 May 2008. He remains with the Company on a contractual basis to assist the Chief Executive in the alignment of Kerry's global food ingredients, bio-science and flavour businesses.

Mr. Gerry Behan, President & CEO of Kerry Ingredients & Flavours Americas joined the Board as an executive Director on 13 May 2008. Since joining Kerry's Graduate Recruitment Programme in 1986, he has held a number of senior financial and management roles primarily in the Americas, prior to his appointment as President & CEO of that business in January 2008.

At the year end, Mr. Patrick A. Barrett, Mr. Eugene McSweeney and Mr. Michael O'Connor, all of whom were directors of Kerry Co-operative Creameries Limited, retired from the Board.

Election of Directors

In accordance with the provisions of the Combined Code on Corporate Governance the Chairman, Mr. Denis Buckley 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 12 May 2009, and are seeking re-election at that meeting.

Under Article 102 of the Company's Articles of Association, Mr. Gerry Behan who was appointed to the Board since the previous Annual General Meeting will retire at the AGM and, being eligible, is seeking re-election.

Mr. Noel Greene, Mr. Flor Healy, Mr. Kevin Kelly and Mr. Brian Mehigan 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 2008 Number	31 December 2007 Number
Directors		
Gerry Behan	**4,582**	-
Denis Buckley	**169,775**	169,775
Denis Carroll	**4,236**	4,236
Michael Dowling	**4,200**	4,200
Noel Greene	**4,299**	4,299
Flor Healy	**46,342**	46,342
Kevin Kelly	**23,200**	23,200
Stan McCarthy	**36,279**	36,279
Brian Mehigan	**40,334**	40,000
James O'Connell	**20,634**	20,634
Desmond O'Connor	**54,261**	54,261
Donal O'Donoghue	**4,948**	4,948
Gerard O'Hanlon	**40,558**	40,558
Michael J. Sullivan	**-**	-
Denis Wallis	**3,567**	3,567
Company Secretary		
Brian Durran	**10,000**	10,000

The above holdings in A ordinary shares have not changed between 31 December 2008 and the date of this report.

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

No Director holds share options in the Company. Mr. Brian Durran, Company Secretary, held 20,900 share options at 1 January 2008 at an Option Price of €8.00 exercisable between 30 June 2000 and 1 October 2010. He exercised 10,000 options at a price of €20.40 on 15 September 2008 and continues to hold 10,900 options at 31 December 2008.

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 page 42 and in note 25 to the financial statements.

	Maximum share awards achievable
Directors	
Stan McCarthy	20,000
Brian Mehigan	20,000
Flor Healy	20,000
Gerry Behan**	12,000
Denis Cregan*	25,000
Company Secretary	
Brian Durran	3,000

* Retired May 2008
** Appointed May 2008

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%
The Growth Fund of America, Inc.	8,965,824	5.1%
Prudential plc Group of Companies	6,107,801	3.5%

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, Article 4 of the IAS Regulations 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. The Directors are responsible for the maintenance and integrity of the corporate and financial information included in the company website.

The Directors of Kerry Group plc acknowledge these responsibilities and accordingly have prepared this consolidated Annual Report for the year ended 31 December 2008 in compliance with the provisions of Regulation (EC) No. 1606/2002, regulations 4 and 5 of Statutory Instrument 277 of 2007 of Ireland, the Transparency Rules of the Irish Financial Services Regulatory Authority and the applicable International Financial Reporting Standards as adopted by the European Union.

The Directors also confirm that to the best of their knowledge:

- the Group consolidated financial statements for the year ended 31 December 2008 have been prepared in accordance with the applicable International Financial Reporting Standards and give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group and the undertakings included in the consolidation taken as a whole as at that date;
- the Business Review includes a fair review of the development and performance of the business for the year ended 31 December 2008 and the position of the Group and the undertakings included in the consolidation taken as a whole at the year end; and
- the Report of the Directors provides a description of the principal risks and uncertainties which may impact the future performance of the group and the undertakings included in the consolidation taken as a whole.

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, three other executive Directors and ten other 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 a 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.

Seven of the non-executive Directors of the Company are directors of KCC, which at the date of this report is the holder of 23.8% 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 dividend income and capital appreciation. These non-executive Directors, in their ordinary course of business, have traded on standard commercial terms with the Group's Agribusiness Division, the details of which are disclosed in note 31 to the financial statements. Notwithstanding the above, the Board has determined that these non-executive Directors are independent in character and judgement.

Mr. Denis Buckley, the Chairman 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 nine occasions during the year under review. Attendances at scheduled Board and Board Committee Meetings during the year ended 31 December 2008 were as follows:

	Board		Audit Committee		Remuneration & Nomination Committee	
Directors	**Held**	**Attended**	**Held**	**Attended**	**Held**	**Attended**
Patrick A. Barrett***	9	9	-	-	-	-
Gerry Behan**	9	6	-	-	-	-
Denis Buckley	9	9	-	-	4	4
Denis Carroll	9	9	-	-	-	-
Denis Cregan*	9	4	-	-	-	-
Michael Dowling	9	9	4	4	4	4
Noel Greene	9	9	-	-	-	-
Flor Healy	9	9	-	-	-	-
Kevin Kelly	9	9	4	4	4	4
Stan McCarthy	9	9	-	-	-	-
Eugene McSweeney***	9	9	-	-	4	4
Brian Mehigan	9	8	-	-	-	-
James O'Connell	9	9	-	-	-	-
Desmond O'Connor	9	9	4	4	-	-
Michael O'Connor***	9	9	-	-	-	-
Donal O'Donoghue	9	9	-	-	-	-
Gerard O'Hanlon	9	9	-	-	-	-
Michael J. Sullivan	9	5	-	-	-	-
Denis Wallis	9	9	4	4	-	-

* Retired May 2008
** Appointed May 2008
*** Retired December 2008

At a meeting in November 2008 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 Board has determined that Mr. Kevin Kelly, FCA, in particular has recent and relevant financial experience and that the other members of the committee have a wide range of business experience.

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 improprieties in financial reporting or other matters. If required it will ensure that appropriate investigation and follow up action is taken.

The Audit Committee reviews the half year and annual financial statements and any formal announcements relating to the statements before submitting to the Board of Directors with a recommendation whether or not to approve. This review focuses on, but is not limited to, any changes in accounting policies and practices, major judgemental areas and compliance with accounting standards, legal, corporate governance and stock exchange requirements.

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.

The Board, through the Audit Committee, completes an annual assessment of risk and controls. The internal audit function facilitates the Board in this assessment by preparing a consolidated Group Risk and Control Report for their review. Where necessary, the Audit Committee will convene to deal with any significant control weaknesses reported by internal audit and management.

Remuneration and Nomination Committee
During the year, the Remuneration and Nomination Committee comprised Mr. Kevin Kelly (Chairman), Mr. Denis Buckley, Mr. Michael Dowling and Mr. Eugene McSweeney, all of whom are non-executive Directors. Mr. McSweeney retired from the Committee in December 2008. The Committee met on four occasions during the year.

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. No share options are currently held by executive Directors.

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 37.

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 which extend beyond one year.

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 2008 €'000	Performance related 2008 €'000	Benefits-in-kind 2008 €'000	Pensions 2008 €'000	Total 2008 €'000	Total 2007 €'000
Stan McCarthy	810	578	33	104	1,525	1,032
Brian Mehigan	460	295	20	71	846	892
Flor Healy	500	307	12	77	896	1,000
Gerry Behan**	233	291	19	32	575	-
Denis Cregan*	258	184	14	-	456	1,177
	2,261	1,655	98	284	4,298	4,101

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
Stan McCarthy	117	317	666
Brian Mehigan	10	181	88
Flor Healy	57	209	635
Gerry Behan**	33	115	141
Denis Cregan*	-	387	-
2008	217	1,209	1,530
2007	56	881	424

c) Non-executive Directors' remuneration

	Fees 2008 €	Fees 2007 €
Patrick A. Barrett***	38,128	36,935
Denis Buckley	209,000	200,000
Denis Carroll	38,128	36,935
Michael Dowling	110,000	105,500
Noel Greene	38,128	36,935
Kevin Kelly	110,000	105,500
Eugene McSweeney***	49,456	52,907
James O'Connell	38,128	36,935
Desmond O'Connor	53,943	52,000
Michael O'Connor***	38,128	36,935
Donal O'Donoghue	38,128	36,935
Gerard O'Hanlon	38,128	36,935
Michael J. Sullivan	73,000	70,000
Denis Wallis	53,967	52,603
	926,262	897,055

* Retired May 2008
** Appointed May 2008
*** Retired December 2008

Non-executive Directors' remuneration consists of fees only. The total remuneration for all Directors in 2008 amounted to **€5,224,262** (2007: €6,398,055). There were no other emoluments paid to the executive or non-executive Directors other than as disclosed above.

d) Payments to former Directors
Payments made to former Directors in relation to consultancy and other fees amounted to **€595,000** in 2008 (2007: €nil).

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 86 executives worldwide hold outstanding options. Details of the options outstanding are presented in note 25 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 were granted during 2006.

Awards vest on 30 June 2009. The proportion of each award which vests will depend on the relative Total Shareholder 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 performance 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, Interim Management Statements and 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 37 with the responsibilities of the Company's Independent Auditors outlined on page 45.

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 2009, 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

The Group operates in the dynamic and global food ingredients and flavours 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's 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's 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 deploys 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 flavours 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 20 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. Specifically, currency volatility and credit availability have become more significant than in the past. 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 20 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 Groups 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 the 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, completes an annual assessment of risk and controls. The internal audit function facilitates the Board in this assessment by preparing a consolidated Group Risk and Control Report for their review. Where necessary, the Audit Committee will 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 22 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 2008.

Signed on behalf of the Board:

Denis Buckley

Denis Buckley, Chairman

Stan McCarthy

Stan McCarthy, Chief Executive

23 February 2009

We have audited the financial statements of Kerry Group plc for the year ended 31 December 2008 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, 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, 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; and 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 2008 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 Article 4 of the IAS Regulations;
- 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 2008; and
- the Parent Company Financial Statements have been properly prepared in accordance with the Companies Acts, 1963 to 2006 and Article 4 of the IAS Regulations.

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 2008 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.

23 February 2009

Basis of preparation

The Group's 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's financial statements have also been prepared in accordance with IFRSs adopted by the European Union and therefore comply with Article 4 of the EU IAS Regulation.

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, material restructuring and other one off costs. It is determined by management that each of these items relate to events or circumstances that are non-recurring in nature.
- 'Operating profit' is profit before taxation and finance costs.

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

Some comparative information has been restated to align with current year presentation.

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. Accounting policies of subsidiaries are consistent with the policies adopted by the Group. 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 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. An estimate is made on the basis of historical sales returns and is recorded to allocate these returns to the same period as the original revenue is recorded. Rebate and discount accruals are established based on best estimates of the amounts necessary to meet claims by the Group's customers. An accrual is created at the time of sale and released, if unutilised, after assessment that the likelihood of such a claim being made is remote.

Segmental analysis

The Group's primary format for segmental analysis 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 'Group Eliminations and Unallocated'. 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 are directly attributable 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 accumulated 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 at the following annual rates:

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

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

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 or residual values have not resulted in material changes to the Group's depreciation charge.

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

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 is expected to 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 only arises on business combinations and represents the difference between the cost of businesses acquired and the aggregate fair values of their identifiable net assets at the date of acquisition. The fair value of the assets and liabilities are based on valuations using assumptions deemed by management to be appropriate. Professional valuers are engaged when it is deemed appropriate to do so.

Goodwill arising on acquisitions before the date of transition to IFRS has been retained at the previous Irish/UK GAAP amounts subject to impairment testing 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 at least annually and is carried at cost less accumulated impairment losses, where identified. Impairment is recognised immediately in the Consolidated Income Statement and is not subsequently reversed. On disposal of a subsidiary, the attributable amount of goodwill (not previously written off to reserves) is included in the determination of the profit or loss on disposal.

(b) Brand related intangibles
Brand related intangibles acquired as part of a business combination 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 tested for impairment at least annually. Indefinite life intangible assets are those for which there is no foreseeable limit to their expected useful life. In arriving at the conclusion that these brand related intangibles have an indefinite life, management considers that the Group is a technology business and expects to acquire, hold and support technology for an indefinite period. The Group supports this through spending on research and development. The classification of intangible assets as indefinite is reviewed annually.

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

(c) Computer software
Intangible assets separately acquired, including computer software which is not an integral part of an item of computer hardware, are stated at cost less any accumulated amortisation and any accumulated 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. 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. These assumptions reflect management's best estimates but these estimates involve inherent uncertainties which may not be controlled by management.

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.

Income taxes

Income taxes includes both current and deferred taxes. Income taxes are charged or credited to the Consolidated Income Statement except when they relate to items charged or credited directly 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 together with adjustments relating to prior years. Deferred taxes are calculated using the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted at the balance sheet date.

The calculation of the income tax charge involves a degree of estimation and judgement as the Group operates in many jurisdictions and the tax treatment of certain items cannot be fully determined at the time of the original transaction. The Group can also be subject to tax audits in any of the jurisdictions in which it operates, which by their nature are often complex and can require several years to conclude. Amounts accrued in respect of tax audits are determined based on management's interpretation of the relevant tax laws and likelihood of a successful conclusion. When the final tax outcome for these items is different from amounts initially recorded, such differences will impact the income tax and deferred tax in the period in which such a determination is made, as well as the Group's cash position.

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

- temporary differences which arise from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction does not affect accounting or taxable profit or loss, or on the initial recognition of goodwill for which a tax deduction is not available; and
- temporary differences which arise on investments in subsidiaries where the timing of the reversal is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

The recognition of a deferred tax asset is based upon whether it is highly probable that sufficient and suitable taxable profits will be available in the future, against which the reversal of temporary differences can be deducted. Recognition, therefore, involves judgement regarding the future financial performance of the particular legal entity or tax group in which the deferred tax asset exists. Deferred tax assets are reviewed on an annual basis and are recognised to the extent 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.

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

Current service cost, expected return on pension schemes' assets and interest on schemes' liabilities are recognised in the Consolidated Income Statement as they arise. Actuarial gains and losses are recognised in full in the period in which they occur in the Consolidated Statement of Recognised Income and Expense. Past service cost, which can be positive or negative, is recognised immediately in the Consolidated Income Statement to the extent the change in benefits is already vested. Otherwise, past service cost is recognised on a straight line basis over the average period until the change in benefits becomes vested. Gains or losses on the curtailment or settlement of a plan are recognised in the Consolidated Income Statement when the curtailment or settlement occurs.

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 unrecognised past service cost and the present value of available refunds from and reductions in future contributions to the plan.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the amount required to settle the present obligation at the balance sheet date, taking account of the risks and uncertainties surrounding the obligation.

Research and development expenditure

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

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

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

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

Grants

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

Dividends

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

Operating leases

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

Share-based payments

The Group has granted share-based payments to employees under an executive share option scheme and a long term incentive plan.

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

(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, which approximates to the actual exchange rates 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.

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.

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

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 three 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.

Trade and other payables

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

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.

Derivative financial instruments and hedge accounting

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

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

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

Fair value of financial instrument derivatives
The fair 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; and
- 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; and
  - Interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves.

The carrying values 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 primarily 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, hedge accounting is discontinued prospectively, 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.

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

Trading derivatives
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. In all other instances cash flow hedge accounting is applied.

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. The significant estimates and assumptions used in the preparation of the Groups' financial statements are outlined in the relevant accounting policies and notes to the financial statements and include:

- Property, plant and equipment;
- Intangibles assets;
- Impairment of intangible assets;
- Income taxes;
- Retirement benefits obligation;
- Provisions;
- Non-trading items.

New standards and interpretations

Certain new and revised accounting standards and new IFRIC interpretations are mandatory for the Group for accounting periods beginning on or after 1 January 2008. The Group's assessment of the impact of these new standards and interpretations is set out below.

Standards and interpretations effective in 2008 but not material to the Group:		Effective Date
– IFRS 7 (amendment)	Financial Instruments: Disclosures	1 July 2008
– IAS 39 (amendment)	Financial Instruments: Recognition and Measurement	1 July 2008
– IFRIC 12	Service Concession Arrangements	1 January 2008
– IFRIC 14	IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	1 January 2008

The following standards and interpretations are not yet effective and not expected to have a material effect:		Effective Date
– IFRS 1 (amendment)	First-time adoption of International Financial Reporting Standards	1 July 2009
– IFRS 2 (amendment)	Share Based Payments	1 January 2009
– IFRS 5 (amendment)	Non-current Assets Held for Sale and Discontinued Operations	1 July 2009
– IFRS 8	Operating Segments	1 January 2009
– IAS 1 (amendment)	Presentation of Financial Statements	1 January 2009
– IAS 16 (amendment)	Property, Plant and Equipment	1 January 2009
– IAS 19 (amendment)	Employee Benefits	1 January 2009
– IAS 20 (amendment)	Accounting for Government Grants and Disclosure of Government Assistance	1 January 2009
– IAS 23 (amendment)	Borrowing Costs	1 January 2009
– IAS 27 (amendment)	Consolidated and Separate Financial Statements	1 January 2009
– IAS 27 (revised)	Consolidated and Separate Financial Statements	1 July 2009
– IAS 28 (amendment)	Investments in Associates	1 January 2009
– IAS 29 (amendment)	Financial Reporting in Hyperinflation Economies	1 January 2009
– IAS 31 (amendment)	Interests in Joint Ventures	1 January 2009
– IAS 32 (amendment)	Financial Instruments: Presentation	1 January 2009
– IAS 36 (amendment)	Impairment of Assets	1 January 2009
– IAS 38 (amendment)	Intangible Assets	1 January 2009
– IAS 39 (amendment)	Financial instruments: Recognition and Measurement	1 July 2009
– IAS 40 (amendment)	Investment Property	1 January 2009
– IAS 41 (amendment)	Agriculture	1 January 2009
– IFRIC 13	Customer Loyalty Programmes	1 July 2008
– IFRIC 15	Agreements for the Construction of Real Estate	1 January 2009
– IFRIC 16	Hedges of a Net Investment in a Foreign Operation	1 October 2008
– IFRIC 17	Distributions of Non-cash Assets to Owners	1 July 2009
– IFRIC 18	Transfers of Assets from Customers	1 July 2009

The following revised standard is not yet effective and may have a material effect and is therefore currently under review:		Effective Date
– IFRS 3 (revised)	Business Combinations The standard continues to apply the acquisition method to business combinations, with some significant changes. These changes include a requirement that all payments to purchase a business are to be recorded at fair value at the acquisition date, with some contingent payments subsequently re-measured through income. Goodwill may be calculated based on the parent's share of net assets or it may include goodwill related to minority interest. All transaction costs will be expensed.	1 July 2009

Consolidated Income Statement

for the year ended 31 December 2008

	Notes	Before Non-Trading Items 2008 €'000	Non-Trading Items 2008 €'000	Total 2008 €'000	2007 €'000
Revenue	*1*	4,790,770	-	4,790,770	4,787,766
Trading profit	*1*	409,234	-	409,234	401,126
Intangible asset amortisation	*11*	(14,891)	-	(14,891)	(12,669)
Non-trading items	*4*	-	(76,311)	(76,311)	(11,113)
Operating profit	*2*	394,343	(76,311)	318,032	377,344
Finance costs	*5*	(77,677)	-	(77,677)	(79,055)
Profit before taxation		316,666	(76,311)	240,355	298,289
Income taxes	*6*	(62,695)	(685)	(63,380)	(52,171)
Profit after taxation and attributable to equity shareholders		253,971	(76,996)	176,975	246,118
Earnings per A ordinary share (cent)					
– basic	*8*			101.3	137.4
– diluted	*8*			101.1	137.0

The financial statements were approved by the Board of Directors on 23 February 2009 and signed on its behalf by:

Denis Buckley, Chairman

Stan McCarthy, Chief Executive

Consolidated Balance Sheet

as at 31 December 2008

	Notes	2008 €'000	2007 €'000
Non-current assets			
Property, plant and equipment	10	985,970	990,747
Intangible assets	11	1,569,502	1,646,186
Financial asset investments	12	18,486	18,905
Deferred tax assets	6	22,962	3,361
		2,596,920	2,659,199
Current assets			
Inventories	13	512,788	526,364
Trade and other receivables	15	557,022	591,166
Cash and cash equivalents	19	195,818	185,669
Other financial assets	19	14,688	3,746
Assets classified as held for sale	14	-	3,392
		1,280,316	1,310,337
Total assets		3,877,236	3,969,536
Current liabilities			
Trade and other payables	16	909,834	859,933
Borrowings and overdrafts	19	36,211	10,309
Current financial liabilities	19	742	-
Tax liabilities		39,290	53,238
Provisions for liabilities and charges	21	9,865	-
Deferred income	17	2,163	2,727
		998,105	926,207
Non-current liabilities			
Borrowings	19	1,293,258	1,419,325
Non-current financial liabilities	19	31,509	35,472
Retirement benefits obligation	22	155,046	111,999
Other non-current liabilities	18	54,877	92,042
Deferred tax liabilities	6	147,793	137,527
Provisions for liabilities and charges	21	37,043	-
Deferred income	17	15,910	17,677
		1,735,436	1,814,042
Total liabilities		2,733,541	2,740,249
Net assets		1,143,695	1,229,287
Capital and reserves			
Share capital	23	21,845	21,836
Share premium account	24	392,184	391,316
Other reserves	24	(215,565)	(83,961)
Retained earnings – cancelled shares	24	(280,292)	(280,292)
– retained earnings	24	1,225,523	1,180,388
Shareholders' equity		1,143,695	1,229,287

The financial statements were approved by the Board of Directors on 23 February 2009 and signed on its behalf by:

Denis Buckley, Chairman

Stan McCarthy, Chief Executive

Company Balance Sheet
as at 31 December 2008

	Notes	2008 €'000	2007 €'000
Non-current assets			
Property, plant and equipment	*10*	2,073	2,285
Financial asset investments	*12*	638,697	544,946
		640,770	547,231
Current assets			
Trade and other receivables	*15*	-	20,410
Cash and cash equivalents		91	1,017
		91	21,427
Total assets		640,861	568,658
Current liabilities			
Trade and other payables	*16*	12,718	6,806
Borrowings and overdrafts		1,095	-
Deferred income	*17*	18	18
		13,831	6,824
Non-current liabilities			
Other non-current liabilities	*18*	41,050	32,277
Deferred income	*17*	236	254
		41,286	32,531
Total liabilities		55,117	39,355
Net assets		585,744	529,303
Capital and reserves			
Share capital	*23*	21,845	21,836
Share premium account	*24*	392,184	391,316
Other reserves	*24*	3,469	4,960
Retained earnings – cancelled shares	*24*	(280,292)	(280,292)
– retained earnings	*24*	448,538	391,483
Shareholders' equity		585,744	529,303

The financial statements were approved by the Board of Directors on 23 February 2009 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 2008

	Notes	2008 €'000	2007 €'000
Fair value movements on available-for-sale investments	*12*	(419)	(4,470)
Fair value movements on cash flow hedges		20,966	(20,934)
Exchange difference on translation of foreign operations	*27*	(140,038)	(54,335)
Actuarial (losses)/gains on defined benefit post-retirement schemes	*22*	(118,113)	20,476
Deferred tax on items taken directly to reserves	*6*	22,616	(876)
Net expense recognised directly in equity		(214,988)	(60,139)
Transfers			
Cash flow hedges to profit or loss from equity	*20*	(10,622)	(8,534)
Sale of available-for-sale investments	*12*	-	(15,396)
Profit for the year after taxation		176,975	246,118
Total recognised income and expense for the year attributable to equity shareholders		(48,635)	162,049

Consolidated Reconciliation of Changes in Shareholders' Equity

for the year ended 31 December 2008

	Notes	2008 €'000	2007 €'000
At beginning of year		1,229,287	1,323,167
Total recognised income and expense for the year		(48,635)	162,049
Dividends paid	*9*	(36,343)	(33,800)
Purchase of shares	*23*	-	(231,850)
Long term incentive plan (credit)/expense	*25*	(1,491)	1,650
Shares issued during year	*24*	877	8,071
At end of year		1,143,695	1,229,287

Company Reconciliation of Changes in Shareholders' Equity

for the year ended 31 December 2008

	Notes	2008 €'000	2007 €'000
At beginning of year		529,303	530,435
Profit for the year after taxation	*7*	93,398	254,797
Dividends paid	*9*	(36,343)	(33,800)
Purchase of shares	*23*	-	(231,850)
Long term incentive plan (credit)/expense	*25*	(1,491)	1,650
Shares issued during year	*24*	877	8,071
At end of year		585,744	529,303

Consolidated Cash Flow Statement

for the year ended 31 December 2008

	Notes	2008 €'000	2007 €'000
Operating activities			
Trading profit		409,234	401,126
Adjustments for:			
Depreciation (net)	26	94,024	99,003
Change in working capital	26	18,762	(6,033)
Payments into pension plans (net)		(34,483)	(29,335)
Exchange translation adjustment	27	(5,106)	(2,506)
Cash generated from operations		482,431	462,255
Income taxes paid		(41,986)	(37,250)
Interest received		3,670	3,675
Finance costs paid		(77,032)	(82,849)
Net cash from operating activities		367,083	345,831
Investing activities			
Purchase of non-current assets		(159,591)	(140,390)
Proceeds from the sale of non-current assets		13,516	48,443
Capital grants received	17	845	3,379
Purchase of subsidiary undertakings	28	(62,120)	(78,958)
Proceeds from disposal of businesses (net of related tax)		44,857	526
Payment of deferred consideration on acquisition of subsidiaries		(1,672)	(3,592)
Expenditure on restructuring and other costs		(87,249)	(39,519)
Consideration adjustment on previous acquisitions		(185)	(64)
Net cash used in investing activities		(251,599)	(210,175)
Financing activities			
Dividends paid	9	(36,343)	(33,800)
Purchase of shares	23	-	(231,850)
Issue of share capital	24	877	8,071
Net movement on bank borrowings		(59,558)	123,516
Increase in bank overdrafts	19	3,225	5,943
Net cash used in financing activities		(91,799)	(128,120)
Net increase in cash and cash equivalents		23,685	7,536
Cash and cash equivalents at beginning of year		185,669	188,844
Exchange translation adjustment on cash and cash equivalents	27	(13,536)	(10,711)
Cash and cash equivalents at end of year	19	195,818	185,669

Reconciliation of Net Cash Flow to Movement in Net Debt

	Notes	2008 €'000	2007 €'000
Net increase in cash and cash equivalents		23,685	7,536
Cash outflow/(inflow) from debt financing		56,333	(129,459)
Changes in net debt resulting from cash flows		80,018	(121,923)
Fair value movement on interest rate swaps	19	5,162	(29,016)
Exchange translation adjustment on net debt	27	30,296	66,316
Movement in net debt in the year		115,476	(84,623)
Net debt at beginning of year		(1,278,979)	(1,194,356)
Net debt at end of year	19	(1,163,503)	(1,278,979)

Company Cash Flow Statement
for the year ended 31 December 2008

	Notes	2008 €'000	2007 €'000
Operating activities			
Trading profit		92,230	253,945
Adjustments for:			
Depreciation (net)	*26*	181	167
Change in working capital	*26*	34,800	95
Cash generated from operations		127,211	254,207
Interest received		76	97
Net cash from operating activities		127,287	254,304
Investing activities			
Net investment in subsidiary undertakings	*12*	(93,751)	-
Payment of deferred consideration on acquisition of subsidiaries		(91)	(82)
Net cash used in investing activities		(93,842)	(82)
Financing activities			
Dividends paid	*9*	(36,343)	(33,800)
Purchase of shares	*23*	-	(231,850)
Issue of share capital	*24*	877	8,071
Increase in bank overdrafts		1,095	-
Net cash used in financing activities		(34,371)	(257,579)
Net decrease in cash and cash equivalents		(926)	(3,357)
Cash and cash equivalents at beginning of year		1,017	4,374
Cash and cash equivalents at end of year		91	1,017

Notes to the Financial Statements
for the year ended 31 December 2008

1. Analysis of results

By business segment:	Ingredients & Flavours 2008 €'000	Consumer Foods 2008 €'000	Group Eliminations and Unallocated 2008 €'000	Total 2008 €'000	Ingredients & Flavours 2007 €'000	Consumer Foods 2007 €'000	Group Eliminations and Unallocated 2007 €'000	Total 2007 €'000
Revenue	3,387,453	1,774,153	(370,836)	4,790,770	3,309,629	1,819,295	(341,158)	4,787,766
Trading profit	320,191	119,665	(30,622)	409,234	310,416	119,314	(28,604)	401,126
Intangible asset amortisation	(11,800)	(1,604)	(1,487)	(14,891)	(10,079)	(1,512)	(1,078)	(12,669)
Non-trading items	(44,322)	(31,989)	-	(76,311)	(27,661)	(6,672)	23,220	(11,113)
Operating profit	264,069	86,072	(32,109)	318,032	272,676	111,130	(6,462)	377,344
Finance costs				(77,677)				(79,055)
Profit before taxation				240,355				298,289
Income taxes				(63,380)				(52,171)
Profit after taxation and attributable to equity shareholders				176,975				246,118
Segment assets and liabilities								
Segment assets	2,485,209	850,531	541,496	3,877,236	2,488,411	967,243	513,882	3,969,536
Segment liabilities	675,103	297,866	1,760,572	2,733,541	566,701	393,208	1,780,340	2,740,249
Net assets	1,810,106	552,665	(1,219,076)	1,143,695	1,921,710	574,035	(1,266,458)	1,229,287
Other segmental information								
Property, plant and equipment additions	141,196	23,882	-	165,078	100,648	21,298	-	121,946
Intangible asset additions	1,156	811	3,961	5,928	2,692	811	1,555	5,058
Depreciation (net)	63,954	29,436	634	94,024	66,006	32,412	585	99,003

By geographic segment:	Europe 2008 €'000	Americas 2008 €'000	Asia Pacific 2008 €'000	Total 2008 €'000	Europe 2007 €'000	Americas 2007 €'000	Asia Pacific 2007 €'000	Total 2007 €'000
Revenue by location of customers	2,969,508	1,343,431	477,831	4,790,770	3,053,603	1,309,609	424,554	4,787,766
Segment assets by location	2,443,800	1,180,515	252,921	3,877,236	2,712,630	1,031,350	225,556	3,969,536
Property, plant and equipment additions	63,480	89,841	11,757	165,078	57,188	50,868	13,890	121,946
Intangible asset additions	5,111	817	-	5,928	3,269	1,789	-	5,058

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	Continuing operations 2008 €'000	Continuing operations 2007 €'000
Revenue		4,790,770	4,787,766
Less operating costs:			
Cost of sales		3,128,842	3,089,082
General overheads		722,621	752,279
Depreciation of property, plant and equipment	*10*	96,662	101,848
Capital grants amortisation	*17*	(2,638)	(2,845)
Operating charges		436,049	446,276
Trading profit		409,234	401,126
Intangible asset amortisation	*11*	14,891	12,669
Non-trading items	*4*	76,311	11,113
Operating profit		318,032	377,344

And is stated after charging:

		Continuing operations 2008 €'000	Continuing operations 2007 €'000
Research and development costs		147,458	145,236
Auditors' remuneration	- audit	2,453	2,560
	- audit related	148	178
	- non-audit	2,001	2,045
		4,602	4,783

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:

	Ingredients & Flavours 2008 Number	Consumer Foods 2008 Number	Total 2008 Number	Ingredients & Flavours 2007 Number	Consumer Foods 2007 Number	Total 2007 Number
Europe	4,659	10,258	14,917	4,632	10,575	15,207
Americas	5,693	-	5,693	5,694	-	5,694
Asia Pacific	1,702	-	1,702	1,497	-	1,497
	12,054	10,258	22,312	11,823	10,575	22,398

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

	Ingredients & Flavours 2008 €'000	Consumer Foods 2008 €'000	Total 2008 €'000	Ingredients & Flavours 2007 €'000	Consumer Foods 2007 €'000	Total 2007 €'000
Europe	213,725	339,032	552,757	204,888	394,025	598,913
Americas	257,578	-	257,578	251,440	-	251,440
Asia Pacific	42,810	-	42,810	39,836	-	39,836
	514,113	339,032	853,145	496,164	394,025	890,189

Social welfare costs of **€82,470,000** (2007: €85,252,000) are included in payroll costs above. Payroll costs include a long term incentive plan credit of **€1,491,000** (2007: expense of €1,650,000).

4. Non-trading items

	Gross (Cost) /Income €'000	Tax €'000	Net (Cost) /Income €'000
Americas plant closure and rationalisation	(56,780)	22,685	(34,095)
Europe plant closure and rationalisation	(13,773)	1,610	(12,163)
Relocation of R&D and administration facilities in America	(7,362)	3,018	(4,344)
Value chain efficiency programme	(9,372)	1,588	(7,784)
Profit on disposal of businesses	29,165	(9,035)	20,130
Profit on disposal of non-current assets	4,964	(1,845)	3,119
	(53,158)	18,021	(35,137)
Incomplete acquisition	(23,153)	-	(23,153)
Tax charge due to change in legislation	-	(18,706)	(18,706)
2008 Total non-trading items	(76,311)	(685)	(76,996)
2007 Total non-trading items	(11,113)	12,341	1,228

Material restructuring costs

In 2008, material restructuring costs relate to:

(i) The investment programme aimed at capturing costs and operational synergies associated with the Group's 'go-to-market' strategy:

(a) Site closure and rationalisation of manufacturing facilities in Americas (12 sites) and Europe (6 sites).
(b) Relocation of research and development and administration facilities in America (8 sites).

(ii) The value chain efficiency programme in Consumer Foods which resulted in plant closures and significant streamlining of operations (5 sites).

Redundancies and contract compensation of **€45,960,000** and impairment of assets of **€4,828,000** are included in the above.

Profit on disposal of businesses and non-current assets

The profit on disposal of businesses relates primarily to the sale of the fragrance business in the USA and a non-core animal feed business in Ireland. This profit is net of all costs directly attributable to the disposals including any related redundancies and pension costs. The net book value of assets disposed was **€23,477,000**, net consideration received amounted to **€44,857,000**. No cash or cash equivalents were disposed of as part of the disposals.

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

Incomplete acquisition

The incomplete acquisition costs relate to the deposit paid and related expenses in relation to the Group's agreement on 13 March 2008 to acquire Breeo Foods subject to regulatory approval. On 29 August 2008, the Competition Authority did not sanction the proposed acquisition. A Notice of Appeal has been filed in the High Court against the decision of the Competition Authority.

Tax

In 2008, the tax charge on non-trading items includes a non cash deferred tax charge of **€18,706,000** resulting from UK legislative changes in respect of the withdrawal of Industrial Buildings Allowances.

2007 Non-trading items

The 2007 costs related to the restructuring of manufacturing plants in Europe, Americas and Asia Pacific and the integration of recent acquisitions (€44,501,000); the loss on sale of businesses related primarily to a frozen vegetable business in the UK (€2,197,000) and the profit on sale of investments, properties, plant and equipment (€35,585,000).

A net tax credit of €12,341,000 arose on the 2007 non-trading items as the tax credit attaching to the restructuring and acquisition integration programme exceeded the tax charge resulting from the sale of non-current assets.

Cash impact

The non-trading items resulted in a net cash outflow (after related tax) of **€3,070,000** (2007: inflow of €21,791,000).

5. Finance costs

	2008 €'000	2007 €'000
Interest payable	81,347	82,730
Interest receivable	(3,670)	(3,675)
	77,677	79,055

6. Income taxes

	Notes	2008 €'000	2007 €'000
Recognition in the Consolidated Income Statement			
Current tax expense		47,647	41,727
Adjustments to current tax in respect of prior years		(4,456)	(2,038)
Deferred tax relating to the origination and reversal of temporary differences		20,189	12,482
Income tax expense		63,380	52,171
Included in the above are the following tax charge/(credit) on non-trading items:			
Current tax		5,274	(4,723)
Deferred tax		(4,589)	(7,618)
	4	685	(12,341)

The applicable tax rate of **21.4%** (2007: 20.8%) 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 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:

	2008 €'000	2007 €'000
Profit before taxation	240,355	298,289
Applicable tax	51,520	61,932
Adjustments to current and deferred tax in respect of prior years	(5,482)	(2,534)
Income taxed at rates other than standard tax rates	786	(2,272)
Withholding taxes and other local taxes	3,571	3,737
Income not subject to tax	(7,584)	(4,814)
Withdrawal of UK Industrial Buildings Allowances	18,706	-
Other adjusting items	1,863	(3,878)
Income tax expense	63,380	52,171

An increase in the Group's applicable tax rate by 1% would reduce profit after tax by €2,404,000 (2007: €2,983,000).

Deductible temporary differences totalling **€58,600,000** (2007: €57,700,000), which consist mainly of tax losses forward have not been recognised. Unrecognised tax losses of **€24,500,000** (2007: €14,500,000) expire within 5 years and a further **€18,400,000** (2007: €24,500,000) 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 an analysis of the movement in the major categories of deferred tax liabilities/(assets) recognised by the Group:

	Notes	Property, plant and equipment €'000	Intangible assets €'000	Tax losses and credits €'000	Retirement benefits obligation €'000	Other temporary differences €'000	Total €'000
At 1 January 2007		70,971	131,023	(18,762)	(58,490)	(4,346)	120,396
Consolidated Income Statement movement		(87)	3,334	(7,789)	10,682	6,342	12,482
Recognised in shareholders' equity during year		-	-	-	7,808	(6,932)	876
Related to businessess acquired/disposed		(109)	2,589	(1,075)	-	(824)	581
Exchange translation adjustment	*27*	(5,618)	(3,812)	1,889	4,713	2,659	(169)
At 31 December 2007		65,157	133,134	(25,737)	(35,287)	(3,101)	134,166
Consolidated Income Statement movement		**26,603**	**9,201**	**(16,262)**	**14,293**	**(13,646)**	**20,189**
Recognised in shareholders' equity during year		**-**	**-**	**-**	**(23,827)**	**1,211**	**(22,616)**
Related to businessess acquired/disposed		**85**	**717**	**-**	**-**	**(35)**	**767**
Exchange translation adjustment	*27*	**(5,104)**	**(3,621)**	**(2,307)**	**3,814**	**(457)**	**(7,675)**
At 31 December 2008		**86,741**	**139,431**	**(44,306)**	**(41,007)**	**(16,028)**	**124,831**

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

	2008 €'000	2007 €'000
Deferred tax assets	**(22,962)**	(3,361)
Deferred tax liabilities	**147,793**	137,527
	124,831	134,166

Factors that may affect the Group's future tax charge include the effects of restructuring, acquisitions and disposals, changes in tax legislation and rates and the use of brought forward 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 **€93,398,000** (2007: €254,797,000).

8. Earnings per A ordinary share

	Notes	EPS cent	2008 €'000	EPS cent	2007 €'000
Basic earnings per share					
Profit after taxation and attributable to equity shareholders		101.3	176,975	137.4	246,118
Intangible asset amortisation	*11*	8.5	14,891	7.1	12,669
Non-trading items (net of related tax)	*4*	44.1	76,996	(0.7)	(1,228)
Adjusted earnings*		153.9	268,862	143.8	257,559
Diluted earnings per share					
Profit after taxation and attributable to equity shareholders		101.1	176,975	137.0	246,118
Adjusted earnings*		153.6	268,862	143.4	257,559

* 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 2008 000's	Number of Shares 2007 000's
Basic weighted average number of shares	174,714	179,073
Impact of executive share options outstanding	301	545
Diluted weighted average number of shares	175,015	179,618
Actual number of shares in issue	174,762	174,690

9. Dividends

	Notes	2008 €'000	2007 €'000
Group and Company:			
Amounts recognised as distributions to equity shareholders in the year			
Final 2007 dividend of **13.90 cent** per A ordinary share paid 23 May 2008			
(Final 2006 dividend of 12.50 cent per A ordinary share paid 25 May 2007)		24,251	23,144
Interim 2008 dividend of **6.90 cent** per A ordinary share paid 21 November 2008			
(Interim 2007 dividend of 6.10 cent per A ordinary share paid 23 November 2007)		12,092	10,656
	24	36,343	33,800

Since the year end the Board has proposed a final 2008 dividend of 15.60 cent per A ordinary share. The payment date for the final dividend will be 22 May 2009 to shareholders registered on the record date 24 April 2009. These consolidated financial statements do not reflect this dividend payable.

10. Property, plant and equipment

	Notes	Land and Buildings €'000	Plant, Machinery and Equipment €'000	Construction in Progress €'000	Motor Vehicles €'000	Total €'000
Group:						
Cost						
At 1 January 2007		695,512	1,274,306	17,040	40,418	2,027,276
Businesses acquired		11,906	22,449	-	98	34,453
Additions		22,502	59,033	38,061	2,350	121,946
Transfer from construction in progress		-	17,040	(17,040)	-	-
Disposals/businesses disposed		(11,210)	(31,185)	-	(2,881)	(45,276)
Transferred to held for sale	*14*	(5,398)	(3,112)	-	-	(8,510)
Exchange translation adjustment	*27*	(32,225)	(61,205)	-	(446)	(93,876)
At 31 December 2007		681,087	1,277,326	38,061	39,539	2,036,013
Businesses acquired	*28*	**4,294**	**6,974**	**-**	**413**	**11,681**
Additions		**57,494**	**72,871**	**33,319**	**1,394**	**165,078**
Purchase adjustments		**-**	**107**	**-**	**-**	**107**
Transfer from construction in progress		**15,629**	**16,413**	**(32,042)**	**-**	**-**
Disposals/businesses disposed		**(8,201)**	**(35,483)**	**-**	**(2,283)**	**(45,967)**
Exchange translation adjustment	*27*	**(50,836)**	**(95,424)**	**1,399**	**(1,288)**	**(146,149)**
At 31 December 2008		**699,467**	**1,242,784**	**40,737**	**37,775**	**2,020,763**
Accumulated depreciation and impairment						
At 1 January 2007		200,313	782,488	-	34,132	1,016,933
Businesses acquired		160	7,074	-	9	7,243
Charge during year	*2*	20,183	78,959	-	2,706	101,848
Disposals/businesses disposed		(5,899)	(24,022)	-	(2,781)	(32,702)
Impairments		2,997	1,985	-	-	4,982
Transferred to held for sale	*14*	(3,179)	(1,939)	-	-	(5,118)
Exchange translation adjustment	*27*	(9,481)	(38,048)	-	(391)	(47,920)
At 31 December 2007		205,094	806,497	-	33,675	1,045,266
Businesses acquired	*28*	**761**	**1,178**	**-**	**4**	**1,943**
Charge during year	*2*	**19,141**	**75,060**	**-**	**2,461**	**96,662**
Disposals/businesses disposed		**(3,642)**	**(21,598)**	**-**	**(2,005)**	**(27,245)**
Impairments	*4*	**2,303**	**2,091**	**-**	**-**	**4,394**
Exchange translation adjustment	*27*	**(14,727)**	**(70,531)**	**-**	**(969)**	**(86,227)**
At 31 December 2008		**208,930**	**792,697**	**-**	**33,166**	**1,034,793**
Net book value						
At 31 December 2007		475,993	470,829	38,061	5,864	990,747
At 31 December 2008		**490,537**	**450,087**	**40,737**	**4,609**	**985,970**

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 of 2007 and 2008	4,883
Disposals	(42)
At 31 December 2008	**4,841**
Accumulated depreciation	
At 1 January 2007	2,413
Charge during year	185
At 31 December 2007	2,598
Charge during year	199
Disposals	(29)
At 31 December 2008	**2,768**
Net book value	
At 31 December 2007	2,285
At 31 December 2008	**2,073**

11. Intangible assets

	Notes	Goodwill €'000	Brand Related Intangibles €'000	Computer Software €'000	Total €'000
Group:					
Cost					
At 1 January 2007		1,331,964	398,211	12,028	1,742,203
Businesses acquired		32,130	15,359	41	47,530
Additions		-	150	4,908	5,058
Purchase adjustments		(178)	-	-	(178)
Exchange translation adjustment	*27*	(64,708)	(18,772)	(576)	(84,056)
At 31 December 2007		1,299,208	394,948	16,401	1,710,557
Businesses acquired	*28*	**40,769**	**26,336**	**99**	**67,204**
Additions		**-**	**-**	**5,928**	**5,928**
Purchase adjustments		**1,035**	**151**	**-**	**1,186**
Disposals/businesses disposed		**(8,187)**	**(10,370)**	**(132)**	**(18,689)**
Exchange translation adjustment	*27*	**(99,189)**	**(27,462)**	**(474)**	**(127,125)**
At 31 December 2008		**1,233,636**	**383,603**	**21,822**	**1,639,061**
Accumulated amortisation and impairment					
At 1 January 2007		-	51,760	5,687	57,447
Charge during year		-	10,035	2,634	12,669
Exchange translation adjustment	*27*	-	(5,385)	(360)	(5,745)
At 31 December 2007		-	56,410	7,961	64,371
Charge during year	*2*	**-**	**11,311**	**3,580**	**14,891**
Impairments	*4*	**-**	**-**	**434**	**434**
Disposals/businesses disposed		**-**	**(1,677)**	**(117)**	**(1,794)**
Exchange translation adjustment	*27*	**-**	**(7,982)**	**(361)**	**(8,343)**
At 31 December 2008		**-**	**58,062**	**11,497**	**69,559**
Net book value					
At 31 December 2007		1,299,208	338,538	8,440	1,646,186
At 31 December 2008		**1,233,636**	**325,541**	**10,325**	**1,569,502**

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

Included in the cost of brand related intangibles are intangibles of **€265,819,000** (2007: €305,288,000) which have indefinite lives.

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 the business acquisition, rather than where the assets are owned. A summary of the allocation of the carrying value of indefinite life intangible assets by beneficial region within segment, is as follows:

	2008 €'000	2007 €'000
Ingredients & Flavours		
Europe	467,300	490,991
Americas	643,020	637,794
Asia Pacific	71,829	70,765
Consumer Foods		
Europe	317,306	404,946
	1,499,455	1,604,496

The Group tests goodwill and indefinite life intangibles annually for impairment, or more frequently if there are indications they might be impaired. No impairments arose in 2008 or 2007.

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 estimate discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The discount rate used is between 6% and 10%. A 1% increase in the discount rate would not have resulted in an impairment charge in 2008 or 2007.

Growth rates are based on forecasts ranging from 2% to 10%, which are broadly in line with industry growth rates. A 1% decrease in the growth rate would not have resulted in an impairment charge in 2008 or 2007.

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. Key assumptions include management's estimates of future profitability, replacement capital expenditure requirements and working capital investment needs. The duration of the discounted cash flow model is a significant factor in determining the fair value of the CGUs, which has been arrived at after taking account of the Group's strong financial position, its established history of earnings growth and cash flow generation, its proven ability to pursue and integrate value-enhancing acquisitions and the nature of the Ingredients & Flavours and Consumer Foods industries. Management believes that no reasonable change, in normal circumstances, in any of the above key assumptions would cause the carrying value of any cash generating unit to exceed its recoverable amount.

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

	2008 €'000	2007 €'000
Group:		
Available-for-sale investments at fair value		
At beginning of year	18,905	19,866
Additions	-	18,905
Fair value movements	(419)	(4,470)
Disposals	-	(15,396)
At end of year	18,486	18,905

The available-for-sale investments represent investments in securities. These investments have no fixed maturity or coupon rate. The fair value of these securities is based on quoted prices.

	2008 €'000	2007 €'000
Company:		
Investments in subsidiaries at cost		
At beginning of year	544,946	544,946
Additions	93,787	-
Disposals	(36)	-
At end of year	638,697	544,946

During the year, the Company increased its investment in its US subsidiaries.

13. Inventories

	2008 €'000	2007 €'000
Group:		
Raw materials and consumables	226,284	236,218
Finished goods and goods for resale	269,993	271,495
Expense inventories	16,511	18,651
	512,788	526,364

14. Assets classified as held for sale

	Notes	2008 €'000	2007 €'000
Group:			
Property, plant and equipment	*10*	-	3,392
		-	3,392

In 2007, the Group classified certain property, plant and equipment in the Americas and Europe as assets held for sale. These assets arose due to restructuring and disposal of businesses, the sales were completed in 2008.

15. Trade and other receivables

	Group 2008 €'000	Group 2007 €'000	Company 2008 €'000	Company 2007 €'000
Trade receivables	518,979	560,855	-	-
Less impairment provision for doubtful trade receivables	(22,896)	(22,636)	-	-
Trade receivables due within one year	496,083	538,219	-	-
Other receivables and prepayments	40,490	28,219	-	-
VAT receivable	18,878	20,877	-	-
Trade receivables due after one year	1,571	3,851	-	-
Amounts due by Group companies	-	-	-	20,410
	557,022	591,166	-	20,410

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 2008 €'000	Group 2007 €'000
Within terms	375,510	414,758
Past due not more than 1 month	93,346	101,820
Past due more than 1 month but less than 2 months	14,588	11,831
Past due more than 2 months but less than 3 months	8,031	5,883
Past due more than 3 months	4,608	3,927
Trade receivables, net	496,083	538,219

Trade and other receivables are stated at amortised cost, which approximates fair value given the short term nature of these assets.

Credit terms and the charging of interest are determined in individual countries. The Group has provided for all receivables where there is objective evidence, based on historical loss experience, that amounts are unrecoverable. The Group does not typically require collateral in respect of trade receivables.

The quality of past due not impaired trade and other receivables is considered good, therefore no significant impairment charge has been recorded in the Consolidated Income Statement in 2008 or 2007.

Before accepting any new customer, the Group uses a credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. These credit limits are reviewed regularly throughout the year.

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

16. Trade and other payables

	Group 2008 €'000	Group 2007 €'000	Company 2008 €'000	Company 2007 €'000
Trade payables	725,190	701,156	-	-
Other payables and accruals	151,682	134,491	7	391
Deferred payments on acquisition of subsidiaries	18,992	9,219	6,324	6,415
PAYE	7,451	8,280	-	-
Social security costs	6,519	6,787	-	-
Amounts due to Group companies	-	-	6,387	-
	909,834	859,933	12,718	6,806

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

The above balances are all due within 1 year.

17. Deferred income

	Notes	Group 2008 €'000	Group 2007 €'000	Company 2008 €'000	Company 2007 €'000
Capital grants					
At beginning of year		20,404	20,160	272	290
Businesses acquired	*28*	100	-	-	-
Businesses disposed		(83)	-	-	-
Grants received		845	3,379	-	-
Amortised during year	*2*	(2,638)	(2,845)	(18)	(18)
Exchange translation adjustment	*27*	(555)	(290)	-	-
At end of year		18,073	20,404	254	272
Analysed as:					
Current liabilities		2,163	2,727	18	18
Non-current liabilities		15,910	17,677	236	254
		18,073	20,404	254	272

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

18. Other non-current liabilities

	Group 2008 €'000	Group 2007 €'000	Company 2008 €'000	Company 2007 €'000
Other payables and accruals	42,588	83,534	-	-
Deferred payments on acquisition of subsidiaries	12,289	8,508	-	-
Amounts due to Group companies	-	-	41,050	32,277
	54,877	92,042	41,050	32,277

The above balances are all due within 1 to 5 years except for **€708,000** (2007: €808,000) of deferred payments on acquisition of subsidiaries which is due after 5 years.

19. Financial liabilities

The Group's treasury policy, including management of derivatives and other financial instruments, is set out in note 20.

	2008 €'000	2007 €'000
Analysis of net financial liabilities		
Current assets		
Cash and cash equivalents	(195,818)	(185,669)
Other financial assets		
– Foreign exchange forward contracts	(13,031)	(3,288)
– Interest rate swaps	(1,657)	(458)
Current liabilities		
Borrowings and overdraft	36,211	10,309
Current financial liabilities		
– Forward foreign exchange contracts	742	-
Non-current liabilities		
Borrowings	1,293,258	1,419,325
Non-current financial liabilities		
– Interest rate swaps	31,509	35,472
Total net financial liabilities	1,151,214	1,275,691

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 net financial liabilities are as follows:

	2008 €'000	2007 €'000
Analysis of total net debt by category		
Cash and cash equivalents	(195,818)	(185,669)
Bank overdrafts	9,682	6,457
Bank loans	806,028	930,952
Senior notes	513,759	492,225
Interest rate swaps in hedging relationships	29,852	35,014
Total net debt	1,163,503	1,278,979
Less: forward foreign exchange contracts	12,289	3,288
Total net financial liabilities	1,151,214	1,275,691

20. Financial instruments

Capital risk management

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

The capital structure of the Group consists of 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 24.

This is managed by setting net debt to EBITDA targets while allowing flexibility to accommodate significant acquisition opportunities. Any expected variation from these targets should be reversible within 12 to 18 months; otherwise consideration would be given to issuing additional equity in the Group.

Net debt is subject to seasonal fluctuations that can be up to 25% above year end debt levels.

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

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

At 31 December these ratios were as follows:

	2008 Times	2007 Times
Net debt: EBITDA	2.3	2.6
EBITDA: Net interest	6.5	6.1

Categories of financial instruments:

	2008 €'000	2007 €'000
Financial assets		
Derivative instruments in designated hedge accounting relationships:		
– Forward foreign exchange contracts	13,031	3,288
– Interest rate swaps	1,657	458
Cash and cash equivalents	195,818	185,669
Available-for-sale financial assets	18,486	18,905
Financial liabilities		
Derivative instruments in designated hedge accounting relationships:		
– Forward foreign exchange contracts	742	-
– Interest rate swaps	31,509	35,472
Deferred payments on acquisition of subsidiaries	31,281	17,727
Financial liabilities at amortised cost	1,329,469	1,429,634

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 principal financial risks of the Group and Company.

The principal objectives of the Group's Financial Risk Management Programme are:

- to manage the Group's exposure to foreign exchange rate risk;
- to manage the Group's exposure to interest rate risk;
- to ensure that the Group has sufficient credit facilities available; and
- to ensure that 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.

20. Financial instruments (continued)

(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. As at 31 December these exposures were as follows:

Net Foreign Currency Monetary Assets/(Liabilities) in €'000

Functional currency of Group operation	Euro 2008	Sterling 2008	US Dollar 2008	Other 2008	Euro 2007	Sterling 2007	US Dollar 2007	Other 2007
Euro	-	14,483	12,584	1,825	-	6,912	4,936	(1,420)
Sterling	168	-	3,330	(566)	(90)	-	7,650	(745)
US Dollar	19	-	-	66	267	191	-	(4)
Other	3,390	88	4,803	1,137	3,436	418	4,047	104
Total	3,577	14,571	20,717	2,462	3,613	7,521	16,633	(2,065)

The amounts shown in the above table take into account the effect of forward contracts entered into to manage currency exposures. As at 31 December 2008 the Group held various open foreign currency forward contracts that were undertaken to hedge expected future transactions. Based on these net positions, as at 31 December 2008, a weakening of 5% of the US dollar and sterling against all other key operational currencies, and holding all other items constant, would have impacted the Group's profit before tax for the year by €1,800,000 (2007: €1,200,000).

The Group's exposure on the retranslation of the net assets of foreign currency subsidiaries is taken directly to the translation reserve. As at 31 December 2008 a 5% strengthening of the Euro against the US dollar and sterling, holding all other items constant would have resulted in an additional translation loss of €10,000,000 (2007: €6,000,000) and €12,000,000 (2007: €14,000,000) respectively.

Forward foreign exchange contracts

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

	Fair Value Asset		Notional Principal	
	2008 €'000	2007 €'000	2008 €'000	2007 €'000
Forward foreign exchange contracts	12,289	3,288	86,000	89,000

An amount of **€8,590,000** (2007: €3,275,000) of the fair value asset is included in the hedging reserve, this will be released to the Consolidated Income Statement within 6 months (2007: 3 months) of the balance sheet date. All forward contracts relate to sales revenue made in their respective currencies.

During 2008, an amount of **€10,622,000** (2007: €8,534,000) has been transferred to general overheads in the Consolidated Income Statement in respect of forward foreign exchange contracts that matured during the year. There were no transactions during 2008 and 2007 which were designated as hedges that did not occur, nor are there hedges on forecast transactions that are no longer expected to occur.

The gains and losses in shareholders' equity on forward foreign exchange contracts as at 31 December 2007 were released to the Consolidated Income Statement in 2008 as follows:

- within 3 months: **€3,275,000** (2007: €1,500,000);
- within 3 to 6 months: **€nil** (2007: €2,158,000); and
- within 6 to 12 months: **€nil** (2007: €470,000).

At 31 December 2008 and 2007 no ineffectiveness was recognised in the Consolidated Income Statement from foreign currency cash flow hedges.

20. Financial instruments (continued)

(ii) Interest rate risk management

The Group is exposed to interest rate risk as the Group holds borrowings on both a fixed and floating basis. This exposure to interest rate risk is managed by optimising the mix of fixed and floating rate borrowings and by using interest rate swaps and forward rate agreements to hedge these exposures. Derivative financial instruments are held in the Consolidated Balance Sheet at their fair value.

Interest rate profile of financial liabilities excluding related derivatives

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
Euro	**490,279**	**-**	**490,279**
Sterling	**121,811**	**-**	**121,811**
US Dollar	**64,009**	**381,295**	**445,304**
Others	**76,257**	**-**	**76,257**
At 31 December 2008	**752,356**	**381,295**	**1,133,651**
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

The weighted average interest rate for fixed borrowings was **6.17%** (2007: 4.72%) and the weighted average period for which the rate was fixed was **2.3 years** (2007: 2.1 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 **66%** (2007: 31%) 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 2009 the net finance charge of the Group before tax could increase by 13% (2007: 6%).

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 as at 31 December:

	Average Interest Rate		Fair Value Asset/(Liability)		Notional Principal	
	2008 %	2007 %	**2008 €'000**	2007 €'000	**2008 €'000**	2007 €'000
Interest rate swap contracts						
less than 1 year	**3.98**	4.35	**1,574**	458	**427,219**	191,300
1 - 2 years	**-**	3.83	**-**	(6,423)	**-**	295,328
2 - 5 years	**5.44**	5.44	**(31,426)**	(29,049)	**359,712**	340,136
Total			**(29,852)**	(35,014)		

The gain or loss relating to the effective portion of interest rate swaps is recognised in the income statement within finance costs.

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.

Where interest rate swaps had a maturity of less than 6 months at the balance sheet date, the underlying hedged debt is disclosed as floating rate debt. At 31 December 2008, this amounted to **€427,219,000** (2007: €nil) with an average maturity of 0.2 years.

As at 31 December 2008 an amount of **€nil** (2007: €432,000) 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.

20. Financial instruments (continued)

(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 senior notes from capital markets. It is Group policy to ensure that:

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

Both targets were met at 31 December 2008 and 2007.

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

All Group credit facilities are arranged and managed by Group treasury and approved by the Board of Directors. Where possible, facilities have common security, financial covenants and terms and conditions.

At 31 December 2008 the Group had undrawn committed bank facilities which amounted to **€318,533,000** (2007: €198,339,000), and a portfolio of undrawn standby facilities amounting to **€252,444,000** (2007: €351,599,000). The undrawn committed facilities consist primarily of a revolving credit facility with an average maturity of **1 year** (2007: 2 years).

The following table details the Group's maturity profile for non-derivative financial liabilities, showing the earliest date at which the Group can be required to repay.

	On demand & up to 1 year €'000	Up to 2 years €'000	2 - 5 years €'000	> 5 years €'000	Total €'000
Deferred payments on acquisition of subsidiaries	**18,992**	**10,486**	**1,095**	**708**	**31,281**
Overdrafts	**9,682**	**-**	**-**	**-**	**9,682**
Bank loans	**26,529**	**204,738**	**574,191**	**570**	**806,028**
Senior notes	**-**	**115,871**	**165,468**	**232,420**	**513,759**
At 31 December 2008	**55,203**	**331,095**	**740,754**	**233,698**	**1,360,750**
Deferred payments on acquisition of subsidiaries	9,219	5,303	2,397	808	17,727
Overdrafts	6,457	-	-	-	6,457
Bank loans	3,852	85,255	550,801	291,044	930,952
Senior notes	-	-	112,779	379,446	492,225
At 31 December 2007	19,528	90,558	665,977	671,298	1,447,361

Summary of borrowing arrangements

(a) Bank loans

Bank loans comprise committed term loan facilities, committed revolving credit facilities, bilateral term loans and other uncommitted facilities:

- Demand facilities;
- Syndicate revolving credit facilities maturing within 1 year;
- Bilateral term loans with maturities ranging from 1 to 3 years; and
- Syndicate term loans with maturities ranging from 2 to 3 years.

(b) Senior notes

The Group placed 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 as at 31 December 2008 and 2007.

20. Financial instruments (continued)

(iii) Liquidity risk management (continued)

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

	2008 €'000	2007 €'000
Cash and cash equivalents	195,818	185,669
Available-for-sale financial assets	18,486	18,905
	214,304	204,574

(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.

Credit risk is actively managed across the portfolio of institutions by ensuring that material surplus funds are placed with counterparties that are either covered by Government guarantee schemes or have a credit rating of at least AA.

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.

21. Provisions for liabilities and charges

	Insurance 2008 €'000	Other 2008 €'000	Total 2008 €'000
Group:			
At beginning of year	-	-	-
Transferred from payables and accruals	27,484	-	27,484
Provided in the year	-	19,424	19,424
At end of year	27,484	19,424	46,908
Analysed as:			
Current liabilities			9,865
Non-current liabilities			37,043
			46,908

Insurance

Insurance provision represents amounts provided in respect of claims that are classified as incurred but not reported and are covered by the Group's self insurance schemes.

Other

These provisions relate primarily to costs associated with pension schemes relating to businesses that were restructured.

22. Retirement benefits obligation

The Group operates post-retirement benefit plans in a number of its businesses throughout the world. These plans are structured to accord with local conditions and practices in each country they operate in and can include both defined contribution and defined benefit plans. The assets of the schemes are held, where relevant, in separate trustee administered funds.

(a) Recognition in the Consolidated Income Statement

The following amounts have been recognised in the Consolidated Income Statement in relation to defined benefit and defined contribution post-retirement plans:

	Notes	Pension 2008 €'000	Post-Retirement Medical 2008 €'000	Pension 2007 €'000	Post-Retirement Medical 2007 €'000
Current service cost relating to defined contribution schemes		15,621	-	13,737	-
Current service cost relating to defined benefit schemes		16,014	332	25,152	670
Total current service cost		31,635	332	38,889	670
Past service cost		(9,110)	1,114	215	-
Expected return on pension schemes' assets		(50,257)	-	(48,946)	-
Interest on schemes' liabilities		44,103	725	44,032	685
Curtailment/settlement gains		(7,854)	(822)	-	-
Settlement loss arising from withdrawal from multi employer plans		18,692	-	-	-
Included in staff costs	*3*	27,209	1,349	34,190	1,355

In 2008, certain one-off post-retirement (gains)/losses arose due to the restructuring of the Group's businesses as outlined in note 4 and due to restructuring of the Group's post-retirement benefit schemes.

(b) Additional disclosures relating to defined benefit plans

The Group operates defined benefit post-retirement schemes in a number of countries in which it operates, primarily in Ireland, the UK, the USA, Canada and the Netherlands. The defined benefit plans operated by the Group mostly include final salary pension plans but also include career average salary pension plans and post-retirement medical plans. The post-retirement medical plans are in respect of a number of the Group's US and Canadian employees.

The values used in the Group's financial statements are based on the most recent actuarial valuations and have been updated by the individual schemes' independent and professionally qualified actuaries to incorporate the requirements of IAS 19 'Employee Benefits' in order to assess the liabilities of the various schemes as at 31 December 2008 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.

22. Retirement benefits obligation (continued)

(i) Financial and demographic assumptions

The principal financial assumptions used by the Group's actuaries in order to calculate the post-retirement benefit schemes' liabilities at 31 December, which have been shown in range format to reflect the differing assumptions in each scheme, were as follows:

	2008 %	2007 %
Inflation assumption	**1.75 - 2.80**	2.00 - 3.10
Rate of increase in salaries	**2.75 - 3.80**	3.00 - 4.10
Rate of increase for pensions in payment and deferred pensions	**1.75 - 2.80**	2.00 - 3.10
Rate used to discount schemes' liabilities	**5.85 - 6.50**	5.50 - 6.50

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:

	2008 Years	2007 Years
Male	**18 - 20**	17 - 19
Female	**21 - 23**	20 - 22

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:

	2008 %	2007 %
Equities	**7.10 - 8.70**	7.50 - 8.20
Bonds	**3.75 - 6.00**	4.00 - 5.25
Property	**6.90**	7.20
Others including cash	**2.00 - 5.90**	3.40 - 8.75
Overall expected return on pension schemes' assets	**4.00 - 7.30**	4.00 - 7.35

There are inherent uncertainties surrounding the financial and demographic assumptions adopted by the Group. The assumptions may differ from the actual data as a result of changes in economic and market conditions as well as the actual experience within each scheme. The present value of post-retirement benefit schemes' liabilities is heavily dependent on the discount rate. As the discount rate is based on a market driven measure, which is the interest yield on high quality corporate bonds at the balance sheet date, the present value of post-retirement benefit schemes' liabilities can fluctuate significantly from valuation to valuation. In relation to demographic assumptions, differing expectations regarding current and future changes in mortality rates can have a significant impact on schemes' liabilities.

As an indication of the impact of changes in assumptions on the Group's schemes, an increase/(decrease) of 25 basis points in discount rates would result in a (decrease)/increase respectively of approximately 5% in the schemes' liabilities holding all other assumptions constant and likewise, an increase in life expectancy of 1 year would result in an increase of approximately 2.5% in the schemes' liabilities.

22. Retirement benefits obligation (continued)

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

The following amounts, in relation to defined benefit plans, have been recognised in the Consolidated Statement of Recognised Income and Expense:

	Pension 2008 €'000	Post-Retirement Medical 2008 €'000	Pension 2007 €'000	Post-Retirement Medical 2007 €'000
Actual return less expected return on pension schemes' assets	(215,196)	-	(41,330)	-
Experience (losses)/gains on schemes' liabilities	(16,491)	(80)	1,105	1,957
Changes in assumptions underlying the present value of the schemes' liabilities*	114,108	(454)	57,839	905
Actuarial (losses)/gains recognised in the Consolidated Statement of Recognised Income and Expense	(117,579)	(534)	17,614	2,862
Cumulative amount of actuarial (losses)/gains recognised in the Consolidated Statement of Recognised Income and Expense	(109,534)	2,032	8,045	2,566
Actual return on schemes' assets for the year	(164,939)	N/A	7,616	N/A

* In 2008, the main changes in assumptions underlying the present value of the schemes' liabilities were increases in the prevailing discount rates and decreases in long term inflation expectations (and consequent decreases in salary rate and pension increase rate expectations) in both Ireland and the UK. Members' expected longevity was also improved in 2008 in a number of smaller schemes. 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.

(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	Pension 2008 €'000	Post-Retirement Medical 2008 €'000	Pension 2007 €'000	Post-Retirement Medical 2007 €'000
Present value of schemes' liabilities at beginning of year		(805,731)	(8,850)	(855,198)	(11,905)
Current service cost		(16,014)	(332)	(25,152)	(670)
Past service cost		9,325	(1,114)	(2,800)	-
Interest on schemes' liabilities		(44,103)	(725)	(44,032)	(685)
Curtailment/settlement gains		7,854	822	-	-
Contributions by employees		(9,201)	(172)	(10,116)	(63)
Benefits paid		23,483	771	21,111	346
Actuarial gains/(losses)		97,617	(534)	58,944	2,862
Impact of businesses acquired/disposed and other movements		(217)	-	3,187	-
Exchange translation adjustment	*27*	97,461	(542)	48,325	1,265
Present value of schemes' liabilities at end of year		(639,526)	(10,676)	(805,731)	(8,850)
Present value of schemes' liabilities at end of year that relates to:					
Wholly unfunded plans		(5,810)	(10,676)	(2,836)	(8,850)
Wholly or partly funded plans		(633,716)	-	(802,895)	-
		(639,526)	(10,676)	(805,731)	(8,850)

22. Retirement benefits obligation (continued)

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

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

	Notes	**Pension 2008 €'000**	**Post-Retirement Medical 2008 €'000**	Pension 2007 €'000	Post-Retirement Medical 2007 €'000
Fair value of assets in plans at beginning of year		699,997	-	686,834	-
Expected return on pension schemes' assets		**50,257**	**-**	48,946	-
Contributions by employer		**47,779**	**599**	52,625	283
Contributions by employees		**9,201**	**172**	10,116	63
Benefits paid		**(23,483)**	**(771)**	(21,111)	(346)
Actuarial losses		**(215,196)**	**-**	(41,330)	-
Impact of businesses acquired/disposed and other movements		**1,537**	**-**	(3,347)	-
Exchange translation adjustment	27	**(77,306)**	**-**	(32,736)	-
Fair value of assets in plans at end of year		**492,786**	**-**	699,997	-

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

	Pension 2008 €'000	Pension 2007 €'000
Equities	**279,903**	468,870
Bonds	**181,742**	181,282
Property	**12,196**	18,637
Others including cash	**18,945**	31,208
Total fair value of pension schemes' assets	**492,786**	699,997

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

During the year ending 31 December 2009, the Group expects to contribute approximately €46,000,000 to its funded defined benefit plans and directly to plan participants of its unfunded defined benefit plans.

The Group's net defined benefit post-retirement schemes' deficit at 31 December, which has been recognised in the Consolidated Balance Sheet, was as follows:

	Pension 2008 €'000	**Post-Retirement Medical 2008 €'000**	Pension 2007 €'000	Post-Retirement Medical 2007 €'000
Present value of schemes' liabilities	**(639,526)**	**(10,676)**	(805,731)	(8,850)
Fair value of assets in plans	**492,786**	**-**	699,997	-
Net deficit	**(146,740)**	**(10,676)**	(105,734)	(8,850)
Unrecognised past service cost	**2,370**	**-**	2,585	-
Net recognised deficit in plans before deferred tax	**(144,370)**	**(10,676)**	(103,149)	(8,850)
Net related deferred tax asset	**35,088**	**4,364**	32,503	3,608
Net recognised deficit in plans after deferred tax	**(109,282)**	**(6,312)**	(70,646)	(5,242)

22. Retirement benefits obligation (continued)

(iv) Historical information

The history of the net deficit and experience gains and losses in the defined benefit schemes for the current and four previous years at 31 December are as follows:

	2008 €'000	2007 €'000	2006 €'000	2005 €'000	2004 €'000
Defined benefit pension schemes					
Present value of schemes' liabilities	**(639,526)**	(805,731)	(855,198)	(846,366)	(669,582)
Fair value of plans' assets	**492,786**	699,997	686,834	611,046	480,046
Net deficit in defined benefit pension plans	**(146,740)**	(105,734)	(168,364)	(235,320)	(189,536)
Experience (losses)/gains on schemes' liabilities	**(16,491)**	1,105	3,563	594	(4,285)
Experience (losses)/gains on schemes' assets	**(215,196)**	(41,330)	4,761	51,657	16,375
Defined benefit post-retirement medical schemes					
Present value of schemes' liabilities	**(10,676)**	(8,850)	(11,905)	(13,783)	(9,726)
Experience (losses)/gains on schemes' liabilities	**(80)**	1,957	1,352	(46)	518
Total defined benefit schemes					
Net recognised deficit in plans after deferred tax	**(115,594)**	(75,888)	(122,147)	(178,641)	(147,388)

23. Share capital

	2008 €'000	2007 €'000
Group and Company:		
Authorised		
280,000,000 A ordinary shares of 12.50 cent each	**35,000**	35,000
Allotted, called-up and fully paid (A ordinary shares of 12.50 cent each)		
At beginning of year	21,836	23,445
Shares issued during year	**9**	96
Shares cancelled during year	**-**	(1,705)
At end of year	**21,845**	21,836

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

Shares issued during year

During 2008, **16,500** 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. Also, **55,550** 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.

The total number of shares in issue at 31 December 2008 was **174,761,685** (2007: 174,689,635).

Share buy back programme

No shares were purchased in 2008.

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.

24. Reconciliation of movements in shareholders' equity

	Notes	Share Capital €'000	Share Premium €'000	Other Reserves €'000	Cancelled Shares €'000	Retained Earnings €'000	Total €'000
Group:							
At 1 January 2007		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	*9*	-	-	-	-	(33,800)	(33,800)
Purchase and cancellation of shares	*23*	(1,355)	-	1,355	(231,850)	-	(231,850)
Cancellation of treasury shares	*23*	(350)	-	48,792	(48,442)	-	-
Long term incentive plan expense	*25*	-	-	1,650	-	-	1,650
Shares issued during year	*23*	96	7,975	-	-	-	8,071
At 31 December 2007		21,836	391,316	(83,961)	(280,292)	1,180,388	1,229,287
Total recognised income and expense for year		-	-	(130,113)	-	81,478	(48,635)
Dividends paid	*9*	-	-	-	-	(36,343)	(36,343)
Long term incentive plan credit	*25*	-	-	(1,491)	-	-	(1,491)
Shares issued during year	*23*	9	868	-	-	-	877
At 31 December 2008		21,845	392,184	(215,565)	(280,292)	1,225,523	1,143,695

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 2007	-	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)
Total recognised income and expense for year	-	-	-	-	(419)	(140,038)	10,344	(130,113)
Long term incentive plan credit	-	-	-	(1,491)	-	-	-	(1,491)
At 31 December 2008	1,705	340	-	1,424	(419)	(197,616)	(20,999)	(215,565)

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

	Notes	Share Capital €'000	Share Premium €'000	Other Reserves €'000	Cancelled Shares €'000	Retained Earnings €'000	Total €'000
Company:							
At 1 January 2007		23,445	383,341	(46,837)	-	170,486	530,435
Profit for the year after taxation		-	-	-	-	254,797	254,797
Dividends paid	*9*	-	-	-	-	(33,800)	(33,800)
Purchase and cancellation of shares	*23*	(1,355)	-	1,355	(231,850)	-	(231,850)
Cancellation of treasury shares	*23*	(350)	-	48,792	(48,442)	-	-
Long term incentive plan expense	*25*	-	-	1,650	-	-	1,650
Shares issued during year	*23*	96	7,975	-	-	-	8,071
At 31 December 2007		21,836	391,316	4,960	(280,292)	391,483	529,303
Profit for the year after taxation		-	-	-	-	93,398	93,398
Dividends paid	*9*	-	-	-	-	(36,343)	(36,343)
Long term incentive plan credit	*25*	-	-	(1,491)	-	-	(1,491)
Shares issued during year	*23*	9	868	-	-	-	877
At 31 December 2008		21,845	392,184	3,469	(280,292)	448,538	585,744

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 2007	-	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
Long term incentive plan credit	-	-	-	(1,491)	(1,491)
At 31 December 2008	1,705	340	-	1,424	3,469

25. Share-based payments

(a) Executive share option scheme

	Notes	Number of Share Options 2008	Weighted Average Exercise Price 2008 €	Number of Share Options 2007	Weighted Average Exercise Price 2007 €
Outstanding at beginning of year		731,810	10.75	1,558,085	10.71
Exercised during year	*23*	(72,050)	12.18	(769,275)	10.49
Forfeited during year		(3,000)	13.42	(57,000)	13.23
Outstanding and exercisable at end of year		**656,760**	**10.58**	731,810	10.75

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** (2007: €8.00 - €13.42). The remaining weighted average contractual life of the options is **1.25 years** (2007: 2.25 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. These awards were made on 14 July 2006 and will vest on 30 June 2009. 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 three year period ("the performance period").

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

A summary of the status of the LTIP as at 31 December and changes during the year is presented below:

	Number of Share Awards 2008	Number of Share Awards 2007
Outstanding at beginning of year	1,135,500	1,215,500
Forfeited during year	(58,708)	(80,000)
Outstanding at end of year	**1,076,792**	1,135,500
Exercisable at end of year	-	-

The remaining weighted average contractual life of the LTIP is **5.76 years** (2007: 6.55 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 a credit of **€1,491,000** (2007: expense of €1,650,000) 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 (credit)/expense.

26. Analysis of cash flow components

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

	Notes	Group 2008 €'000	Group 2007 €'000	Company 2008 €'000	Company 2007 €'000
Depreciation (net)					
Depreciation	*10*	96,662	101,848	199	185
Capital grants amortisation	*17*	(2,638)	(2,845)	(18)	(18)
		94,024	99,003	181	167
Change in working capital					
Increase in inventories		(11,459)	(45,180)	-	-
(Increase)/decrease in trade and other receivables		(1,545)	(10,600)	20,410	9,064
Increase/(decrease) in trade and other payables		33,257	48,097	15,881	(10,619)
Long term incentive plan (credit)/expense	*25*	(1,491)	1,650	(1,491)	1,650
		18,762	(6,033)	34,800	95

27. Effect of exchange translation adjustments

	Notes	2008 €'000	2007 €'000
Group:			
Decrease in assets			
Property, plant and equipment	*10*	(59,922)	(45,956)
Intangible assets	*11*	(118,782)	(78,311)
Inventories		(25,840)	(22,398)
Trade and other receivables		(52,143)	(27,825)
Cash and cash equivalents		(13,536)	(10,711)
Decrease/(increase) in liabilities			
Trade and other payables		57,401	37,564
Tax liabilities		5,154	3,193
Financial liabilities		43,832	77,027
Retirement benefits obligation	*22*	19,613	16,854
Other non-current liabilities		1,061	(1,725)
Deferred tax liabilities	*6*	7,675	169
Deferred income	*17*	555	290
Retained earnings		(5,106)	(2,506)
		(140,038)	(54,335)

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

28. Business combinations

During 2008, the Group completed eight bolt on acquisitions, all of which were 100% acquired. No individual acquisition cost in excess of €25,000,000 and the total consideration for acquisitions amounted to **€79,483,000** analysed as follows:

			Fair Value Adjustment		
	Notes	Acquiree's Carrying Amount Before Combination 2008 €000	Revaluations 2008 €000	Alignment of Accounting Policies 2008 €000	Fair Value 2008 €000
Net assets acquired:					
Non-current assets					
Property, plant and equipment	*10/17*	9,872	(234)	-	9,638
Brand related intangibles	*11*	-	26,336	-	26,336
Computer software	*11*	99	-	-	99
Current assets					
Inventories		6,320	-	(839)	5,481
Trade and other receivables		5,075	-	(35)	5,040
Current liabilities					
Trade and other payables		(5,975)	-	(591)	(6,566)
Non-current liabilities					
Deferred tax liabilities		-	(690)	-	(690)
Other non-current liabilities		(119)	-	(505)	(624)
		15,272	25,412	(1,970)	38,714
Goodwill	*11*				40,769
					79,483
Purchase consideration:					
Cash					61,597
Deferred payments					17,363
Acquisition expenses					523
					79,483

The acquisition method of accounting has been used to consolidate the businesses acquired 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. Historically adjustments to prior year fair values are not material. The cash discharged figure above includes **€5,351,000** of net cash taken over at the date of acquisition.

The goodwill is attributable to the expected profitability, revenue growth, future market development and assembled workforce of the acquired businesses and the synergies expected to arise within the Group after the acquisition.

The principal acquisitions completed during 2008 are summarised as follows:

In September 2008, the Group acquired X-Café LLC. Located in Portland, Maine, USA, the company provides premium coffee extracts to beverage and food manufacturers, foodservice distributors and ingredients manufacturers.

In October 2008, the Group acquired the business and assets of PT Armita. Located in Jakarta, Indonesia, the company is a savoury flavourings business in the noodle and snack seasonings industry.

During the year, the Group also completed a number of other smaller acquisitions in countries including Brazil, New Zealand, USA and the UK.

The revenue and trading results of the acquisitions in the period since acquisition and the impact on the Group's results had the acquisitions taken place at the beginning of the financial year, are not considered material to the Group.

29. Contingent liabilities

	2008 €'000	2007 €'000
Company:		
(a) Guarantees in respect of borrowings of subsidiaries	**1,329,469**	1,429,635

(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 2008 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

(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:

	2008 €'000	2007 €'000
Group:		
Commitments for the acquisition of property, plant and equipment in respect of contracts placed	**13,105**	15,999
Expenditure for the acquisition of property, plant and equipment authorised by the Directors but not contracted for at the year end	**37,263**	68,881
	50,368	84,880

(b) At the balance sheet date the Group had commitments under non-cancellable operating leases which fall due as follows:

	2008 €'000	2007 €'000
Within 1 year	**24,840**	24,428
Within 2 to 5 years	**44,631**	53,931
After 5 years	**24,621**	32,676
	94,092	111,035

The operating lease charges during 2008 amounted to **€26,447,000** (2007: €26,277,000).

The Group leases various buildings, plant and machinery and motor vehicles under non-cancellable lease arrangements. The leases have various terms, escalation clauses and renewal rights. The leases typically range from less than 1 year to 46 years.

31. Related party transactions

(a) Transactions with key management personnel

The Board of Directors are deemed to be key management personnel of Kerry Group plc as they are responsible for planning, directing and controlling the activities of the Group. The Report of the Directors includes details of remuneration of Directors.

(b) 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 **€1,488,000** (2007: €1,469,000) and **€454,000** (2007: €384,000) respectively. The trading balance outstanding to the Group at the year end was **€20,000** (2007: €57,000).

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

Since the year end, the Group has:

- reached agreement to acquire Dera Holding NV, Prima S.A. and G. Adams Pastry - Spalding UK for a total consideration of €98,000,000;
- extended the maturity dates of its near-term bank facilities and increased the level of committed facilities available to it; and
- proposed a final dividend of 15.60 cent per A ordinary share (see note 9).

There have been no other significant events, outside the ordinary course of business, affecting the Group since 31 December 2008.

33. Principal subsidiaries

Company Name	Nature of Business	Country	Registered Office
Ballysimon Warehousing Limited	Ingredients & Flavours	Ireland	1
Charleville Research Limited	Services	Ireland	1
Dawn Dairies Limited	Consumer Foods	Ireland	1
Duffy Meats Limited	Consumer Foods	Ireland	1
Dynaboo Limited	Consumer Foods	Ireland	1
Fambee Limited	Consumer Foods	Ireland	1
Freshways Limited	Consumer Foods	Ireland	1
Glenealy Farms (Turkeys) Limited	Consumer 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 & Flavours	Ireland	1
Golden Vale Holdings Limited	Investment	Ireland	1
Golden Vale Investments Limited	Investment	Ireland	1
Golden Vale Limerick Limited	Consumer Foods	Ireland	1
Golden Vale Limited	Investment	Ireland	1
Henry Denny & Sons (Ireland) Limited	Consumer Foods	Ireland	1
Irish Cold Stores Limited	Consumer 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 & Flavours	Ireland	1
Kerry Group Business Services Limited	Services	Ireland	1
Kerry Group Financial Services	Services	Ireland	1
Kerry Group Services International Limited	Services	Ireland	1
Kerry Group Services Limited	Services	Ireland	1

33. Principal subsidiaries (Continued)

Company Name	Nature of Business	Country	Registered Office
Kerry Holdings (Ireland) Limited	Investment	Ireland	1
Kerry Ingredients (Ireland) Limited	Ingredients & Flavours	Ireland	1
Kerry Ingredients Holdings (Ireland) Limited	Investment	Ireland	1
Kerry Ingredients Trading Limited	Ingredients & Flavours	Ireland	1
Kerry Treasury Services Limited	Services	Ireland	1
Kerrykreem Limited	Ingredients & Flavours	Ireland	1
National Food Ingredients Limited	Ingredients & Flavours	Ireland	1
National Rusks Limited	Ingredients & Flavours	Ireland	1
Pixundo Limited	Consumer Foods	Ireland	1
Plassey Holdings Limited	Investment	Ireland	1
Platters Food Company Limited	Consumer Foods	Ireland	1
Princemark Holdings Limited	Services	Ireland	1
Quandu Limited	Consumer Foods	Ireland	1
Rye Developments Limited	Services	Ireland	1
Rye Investments Limited	Consumer Foods	Ireland	1
Rye Valley Foods Limited	Consumer Foods	Ireland	1
Snowcream (Midlands) Limited	Consumer Foods	Ireland	1
Trundu Limited	Consumer Foods	Ireland	1
William Blake Limited	Ingredients & Flavours	Ireland	1
Henry Denny & Sons (NI) Limited	Consumer Foods	UK	2
Dairy Produce Packers Limited	Ingredients & Flavours	UK	3
Golden Cow Dairies Limited	Consumer Foods	UK	3
Golden Vale (NI) Limited	Investment	UK	3
Leckpatrick Dairies Limited	Consumer Foods	UK	3
Leckpatrick Holdings Limited	Investment	UK	3
Diversity Foods Limited	Consumer Foods	UK	4
Kerry Foods Limited	Consumer Foods	UK	4
Kerry Foods Distribution Limited	Consumer Foods	UK	4
Kerry Holdings (U.K.) Limited	Investment	UK	4
Kerry Savoury Foods Limited	Consumer Foods	UK	4
Noon Group Limited	Consumer Foods	UK	4
Dairyborn Foods Limited	Consumer Foods	UK	5
Cereal Innovations Limited	Ingredients & Flavours	UK	6
Dale Country Foods Limited	Ingredients & Flavours	UK	6
E B I Foods Limited	Ingredients & Flavours	UK	6
Gordon Jopling (Foods) Limited	Ingredients & Flavours	UK	6
Kerry Ingredients (UK) Limited	Ingredients & Flavours	UK	6
Kerry Ingredients Holdings (U.K.) Limited	Ingredients & Flavours	UK	6
Titusfield Limited	Ingredients & Flavours	UK	6
Spicemanns Limited	Ingredients & Flavours	UK	7
Gova Finance B.V.	Investment	Netherlands	8
Kerry Bio-Science B.V.	Ingredients & Flavours	Netherlands	8
Kerry Group B.V.	Investment	Netherlands	8
Kerry Ingredients B.V.	Ingredients & Flavours	Netherlands	9
Kerry Foods France Sarl	Ingredients & Flavours	France	10
Kerry Ingredients France S.A.S.	Ingredients & Flavours	France	11
Kerry Ingredients Holdings (France) S.A.	Investment	France	11
Kerry Savoury Ingredients France S.A.S.	Ingredients & Flavours	France	12
Kerry Foods GmbH.	Ingredients & Flavours	Germany	13

33. Principal subsidiaries (Continued)

Company Name	Nature of Business	Country	Registered Office
Kerry Ingredients GmbH.	Ingredients & Flavours	Germany	13
Cremo Ingredients A/S	Ingredients & Flavours	Denmark	14
Kerry Ingredients Italia S.p.A.	Ingredients & Flavours	Italy	15
Kerry Polska Sp. z.o.o.	Ingredients & Flavours	Poland	16
Kerry Hungaria KFT.	Ingredients & Flavours	Hungary	17
Kerry Limited Liability Company	Ingredients & Flavours	Russia	18
Kerry Bio-Science Egypt Misr L.L. Co	Ingredients & Flavours	Egypt	19
Kerry Ingredients South Africa (Pty) Limited	Ingredients & Flavours	South Africa	20
Flavurence Corporation	Ingredients & Flavours	USA	21
GB Seasonings Inc.	Ingredients & Flavours	USA	21
Geneva Flavors Inc.	Ingredients & Flavours	USA	21
Guernsey Bel, Inc.	Ingredients & Flavours	USA	21
Kerry Biofunctional Ingredients Inc.	Ingredients & Flavours	USA	21
Kerry Holding Co.	Investment	USA	21
Kerry Inc.	Ingredients & Flavours	USA	21
Mastertaste Holding Co.	Investment	USA	21
Nuvex Ingredients Inc.	Ingredients & Flavours	USA	21
X-Café LLC	Ingredients & Flavours	USA	21
Hickory Specialties Inc.	Ingredients & Flavours	USA	22
Jana's Classics Inc.	Ingredients & Flavours	USA	23
Oregon Chai, Inc.	Ingredients & Flavours	USA	23
Stearns & Lehman, Inc.	Ingredients & Flavours	USA	24
Presco Food Seasonings Inc.	Ingredients & Flavours	USA	25
Q A Products Inc.	Ingredients & Flavours	USA	26
Can-Pan Candy Inc.	Ingredients & Flavours	Canada	27
Kerry (Canada) Inc.	Ingredients & Flavours	Canada	28
Kerry (Quebec) Inc.	Ingredients & Flavours	Canada	29
Nutrisens Inc.	Ingredients & Flavours	Canada	30
Rector Foods Limited	Ingredients & Flavours	Canada	31
Kerry Ingredients (de Mexico) S.A. de C.V.	Ingredients & Flavours	Mexico	32
Kerry do Brasil Ltda.	Ingredients & Flavours	Brazil	33
Vittaflavour Ltda.	Ingredients & Flavours	Brazil	33
Kerry Ingredients (Thailand) Limited	Ingredients & Flavours	Thailand	34
Kerry Food Ingredients (Philippines), Inc.	Ingredients & Flavours	Philippines	35
Kerry Food Ingredients (Cebu), Inc.	Ingredients & Flavours	Philippines	36
Kerry Ingredients (S) Pte Limited	Ingredients & Flavours	Singapore	37
Kerry Ingredients (M) Sdn. Bhd.	Ingredients & Flavours	Malaysia	38
Kerry Japan Kabushiki Kaisha	Ingredients & Flavours	Japan	39
Kerry Food Ingredients (Hangzhou) Company Limited	Ingredients & Flavours	China	40
Kerry Ingredients Trading (Shanghai) Limited	Ingredients & Flavours	China	41
Kerry Ingredients Indonesia Pty. Limited	Ingredients & Flavours	Indonesia	42
Kerry Ingredients Australia Pty. Limited	Ingredients & Flavours	Australia	43
Kerry Ingredients (NZ) Limited	Ingredients & Flavours	New Zealand	44

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.

33. Principal subsidiaries (Continued)

Registered Office

1 Prince's Street, Tralee, Co. Kerry, Ireland.
2 6 Corcrain Road, Portadown, Craigavon, Co. Armagh, 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 LU2 9XF, England.
6 Equinox South, Great Park Road, Bradley Stoke, Bristol BS32 4QL, England.
7 9 Kelvin Avenue, Hillington, Glasgow, G52 4LR, Scotland.
8 Veluwezoom 62, 1327 AH Almere, The Netherlands.
9 Swaardvenstraat 41, 5048 AV Tilburg, The Netherlands.
10 Les Monestiers, 84400 Gargas, France.
11 Quartier Salignan, 84400 Apt en Provence, France.
12 26 Rue Jacques Prevert, 59650 Villenueve d'Ascq, France.
13 Hauptstrasse 22-26, D-63924 Kleinheubach, Germany.
14 Toftegardsvej 3, DK-5620, Glamsbjerg, Denmark.
15 Via Sondrio 9, 20053 Muggio (Milan), Italy.
16 25-558 Kielce, Ul. Zagnanska 97a, Kielce, Poland.
17 H-1106 Budapest, Fehér út 10, Hungary.
18 Office 901-B, Building 1, 16/2 Tverskaya Street, Moscow, 125009, Russia.
19 31 Imam Ali Street, Ismailia Square, Heliopolis, Cairo, Egypt.
20 Unit 24 Sancroy Commercial Park, Die Agora Road, Croydon, Gauteng, South Africa.
21 2711 Centerville Road, Wilmington, Delaware 19808, USA.
22 2908 Poston Avenue, Nashville, Tennessee 37203, USA.
23 285 Liberty Street NE, Salem, Oregon 97301, USA.
24 50 West Broad Street, Columbus, Ohio, 43215, USA.
25 7 St. Paul Street, Suite 1660, Baltimore, Maryland 21202, USA.
26 801 Adlai Stephenson Drive, Springfield, Illinois 62703, USA.
27 Suite 800, 1 First Canadian Place, Toronto, Ontario, M5X 1A2, Canada.
28 Suite 3600, 55 King Street West, Toronto-Dominion Bank Tower, Toronto Dominion Center, Toronto, M5K 1N6, Canada.
29 615 Jack Ross Ave., P.O. Box 968, Woodstock, Ontario, N4S 8A4, Canada.
30 1 Place du Commerce, Suite 403, Verdun, Quebec, H3E 1A2, Canada.
31 66 Wellington Street, Toronto-Dominion Bank Tower, Toronto, Ontario, M5K 1N6, Canada.
32 Carr. Panamericana, Salamanca Km 11.2, 36660 Irapuato, Guanajuato, Mexico.
33 Rua Cristiano Alves da Silva, 15 - Parque Jussara - Tres Coracoes - MG - Brazil.
34 No 618, Moo 4, Bangpoo Industrial Estate, Praksa Sub District, Muang District, Samutprakarn Province, Thailand.
35 GF/SFB#1, Mactan Economic Zone 1, Lapulapu City, Cebu, Philippines.
36 P. Suico St., Tabok, Mandaue City, Cebu, Philippines.
37 6 Shenton Way #28-09 DBS Building Tower Two, Singapore 068809.
38 No. 21 Jalan Tun Abdul Razak Susur 1/1, 80000 Johor Bahru, Malaysia.
39 Kamiyacho Sankei Building. 2F, 1-7-2, Azabudai 1-chome, Minato-ku, Tokyo 106-0041, Japan.
40 68 Xing Fu Road, HEDA Xia Sha District, Hangzhou 310018, China.
41 Room 248, Ximmao Building, 2 Tai Zhong Road South, Waigaoqiao Free Trade Zone, Shanghai, China.
42 JL Industri Utama Blok SS No. 6, Jababeka II Mekarmukti, Cikarang Utara, Bekasi 17520, Indonesia.
43 No 8 Holker Street, Newington, NSW 2127, Australia.
44 11-13 Bell Avenue, Otahuhu, Auckland, New Zealand.

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