KERRY GROUP
ANNUAL REPORT
2013

THE SECRET INGREDIENT TO SUCCESS

KERRY GROUP IS A WORLD LEADER IN FOOD INGREDIENTS AND FLAVOUR TECHNOLOGIES, SERVING THE FOOD, BEVERAGE AND PHARMACEUTICAL INDUSTRIES, AND ALSO A LEADING CONSUMER FOODS PROCESSOR AND SUPPLIER IN SELECTED EU MARKETS.

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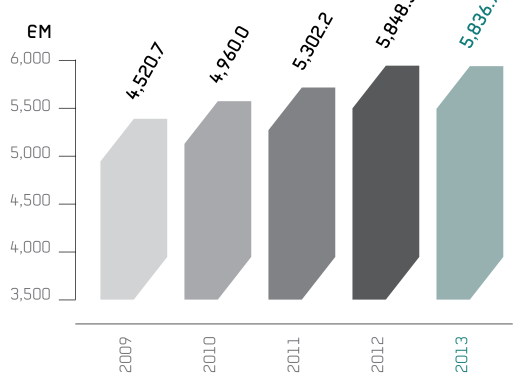
1 KERRY BUSINESS TRANSFORMATION PROGRAMME MILESTONES WERE SUCCESSFULLY ACHIEVED.

THE BOARD RECOMMENDS A FINAL DIVIDEND OF 28 CENT PER SHARE (AN INCREASE OF 12% ON THE 2012 FINAL DIVIDEND) PAYABLE ON 9 MAY 2014 TO SHAREHOLDERS REGISTERED ON THE RECORD DATE 11 APRIL 2014.

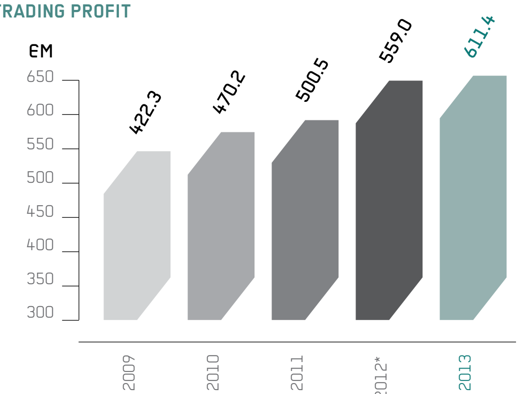
GROUP REVENUE OF	TRADING PROFIT UP 9.4% TO	R&D INVESTMENT OF	RECORD FREE CASH FLOW OF
€5.8 BILLION	**€611** MILLION	**€186** MILLION	**€412** MILLION

ADJUSTED EPS** UP 10.2% TO	BASIC EPS OF	TOTAL DIVIDEND PER SHARE UP 11.7% TO
257.9¢	**48.0¢**	**40.0¢**

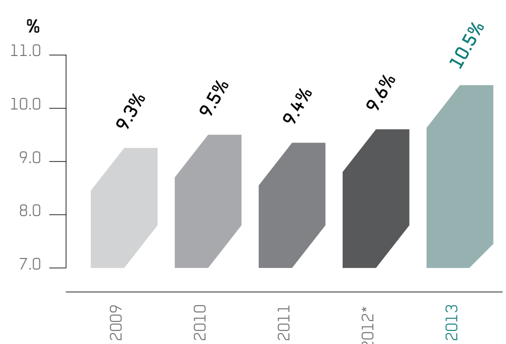
REVENUE



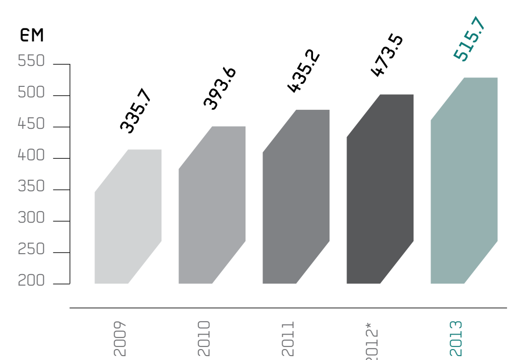
TRADING PROFIT



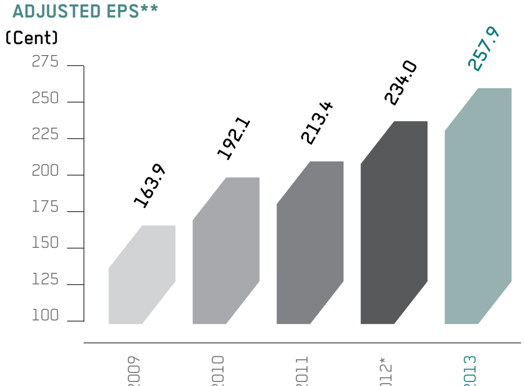
TRADING PROFIT MARGIN



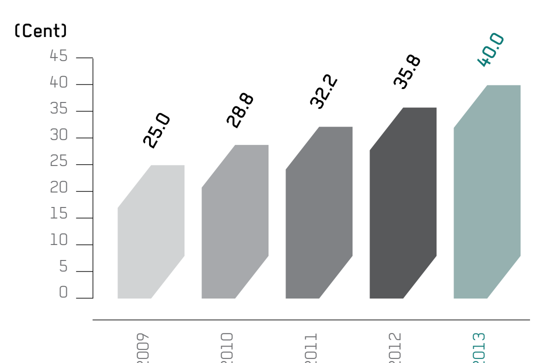
PROFIT BEFORE TAXATION AND NON-TRADING ITEMS



ADJUSTED EPS**



DIVIDEND PER SHARE



* 2012 results have been restated for the impact of adopting IAS 19 (2011) 'Employee Benefits'.

**Earnings per share before brand related intangible asset amortisation and non-trading items (net of tax).

CHAIRMAN'S STATEMENT

WE ARE PLEASED TO REPORT ANOTHER YEAR OF GOOD RESULTS WHICH WERE ACHIEVED AGAINST A BACKDROP OF WEAKER ECONOMIC CONDITIONS IN MANY OF OUR MARKETS. KERRY GROUP IS IN A STRONG POSITION IN THE MARKETS WE SERVE DUE TO OUR TECHNOLOGY LEADERSHIP AND CONSIDERABLE INVESTMENT IN MEETING CUSTOMER REQUIREMENTS THROUGH OUR KERRY GLOBAL TECHNOLOGY & INNOVATION CENTRES.

Coupled with our strong market positioning, we have invested considerable resources in recent years in the Group's 1 Kerry Business Transformation Programme. This Programme has delivered sustainable business efficiencies and a more agile organisation capable of meeting our future growth objectives while delivering speedy leading innovation for our customers. We have further progressed our business expansion in developing markets across all regions. Results to-date are very encouraging and augur well for Kerry's continued profitable growth and development.

In response to the competitive landscape in the UK and Irish consumer foods' markets, Kerry Foods is progressively adjusting its business model to focus on its core offerings in added-value growth sectors. Our consumer foods' investment programme will focus on a Kerry Foods' portfolio capable of driving sustained profitable growth.

RESULTS

Group sales revenue at €5.8 billion reflects underlying sales growth (USG) of 4.6%. Adjusted profit after tax before brand related intangible asset amortisation and non-trading items increased by 10.3% to €453m. Adjusted earnings per share increased by 10.2% to 257.9 cent (2012 : 234 cent).

STRATEGIC DEVELOPMENT

Details of the performance of Group businesses in 2013 are presented in the Chief Executive's Review and in the Business Reviews of the report.

We are confident that our 1 Kerry business model will continue to capitalise on the significant growth opportunities throughout global food, beverage and pharmaceutical markets. Our industry leading ingredients and flavours technologies, combined with Kerry's applications, culinary and processing capabilities, will continue to provide strong platforms for growth in collaboration with our global and regional customers. In the Group's consumer foods' businesses in the UK and Ireland we will continue to reconfigure our business structures and portfolio for sustained profitable growth.

DIVIDEND

The Board recommends a final dividend of 28 cent per share (an increase of 12% on the 2012 final dividend) payable on 9 May 2014 to shareholders registered on the record date 11 April 2014. When combined with the interim dividend of 12 cent per share, this brings the total dividend for the year to 40 cent, an increase of 11.7% on 2012.

BOARD CHANGES

In 2013 a number of long serving Directors retired from the Board. I would like to thank Kieran Breen, Denis Carroll, Patrick Flahive, Gerard O'Hanlon, Michael Teahan and Denis Wallis who retired from the Board at year-end for their tremendous individual contributions and service to the Kerry organisation over many years.

I would like to welcome Michael Ahern, James Devane and John Joseph O'Connor, all of whom are Directors of Kerry Co-operative Creameries Ltd, who joined the Board as non-executive Directors in January 2014.

May I also welcome Dr Hugh Brady who was appointed a non-executive Director of the Company on 24 February 2014. Dr Brady is President Emeritus of University College Dublin where he served as President from 2004 until the end of 2013. A medical graduate, he had a successful career as a physician and biomedical research scientist in the US where he served on the faculty of Harvard Medical School for almost a decade prior to returning to his alma mater as Professor of Medicine and Therapeutics. In addition, Dr Brady has held many national and international leadership roles which include Chairman of the Irish Health Research Board and Chairman of the Universitas 21 Network of global research universities.

PROSPECTS

Management's views regarding business prospects for 2014 are outlined in the Chief Executive's Review. Kerry has leading positions in its selected markets and is well focused on its business growth opportunities in developed and developing markets. The Board is confident that the Group is well resourced to achieve its business objectives and deliver sustained value for all stakeholders.
I would like to record the appreciation of the Board to Stan McCarthy Chief Executive, to management and all employees for their dedication to the continued successful growth and development of Kerry Group.

Denis Buckley

DENIS BUCKLEY,
Chairman
24 February 2014

CHIEF EXECUTIVE'S REVIEW

IN 2013 KERRY GROUP ACHIEVED A SOLID FINANCIAL PERFORMANCE WHILST SUCCESSFULLY ADVANCING OUR 1 KERRY BUSINESS TRANSFORMATION PROGRAMME AND BUILDING A STRONG PLATFORM FOR THE FUTURE GROWTH OF THE ORGANISATION. AGAINST A BACKGROUND OF WEAKER ECONOMIC CONDITIONS IN MANY DEVELOPED AND DEVELOPING MARKETS, THE GROUP ACHIEVED GOOD UNDERLYING GROWTH AHEAD OF OUR MARKETS, CONTINUED MARGIN IMPROVEMENT AND STRONG CASH GENERATION.

Our 2013 performance and results reflect the strength of Kerry's taste and nutrition platforms and customer-focused business model - supported by the Group's major investment in Kerry Global Technology & Innovation Centres and Regional Development & Application Centres in recent years. Our developing market strategies continued to deliver strong growth and market development despite reduced economic growth in some regions.

Raw material cost increases were successfully managed in collaboration with customers. The Group's 1 Kerry Business Transformation Programme was significantly advanced during 2013 which considerably assisted business performance and delivered excellent results in globally aligning our business manufacturing and technology portfolio whilst optimising functional and management resources. Recent Group acquisitions were also successfully integrated in line with the 1 Kerry Programme enabling realisation of the technology and business synergy benefits.

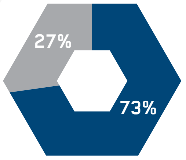
Consumer foods markets in the UK and Ireland remained highly competitive due to negative underlying market growth rates, increased market polarisation and a continued high level of promotional activity. While Kerry Foods is best positioned in its market categories with strong brand shares, the division continues to focus its business model on its core offerings and to reconfigure its business portfolio for sustained profitable growth in line with Group metrics.

RESULTS

Group revenue at €5.8 billion reflects underlying sales growth (USG) of 4.6%. Continuing business volumes increased by 3% and pricing increased by 1.6% - broadly offsetting input cost inflation of approximately 4%.

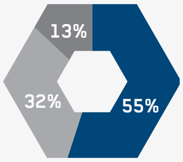
Sales and trading performance in ingredients & flavours maintained continued growth momentum in 2013. Continuing business volumes increased by 4.1% and net pricing increased by 1.8%. Continuing business volumes increased marginally in Kerry Foods and net pricing increased by 1.2%.

GROUP REVENUE



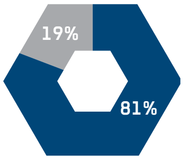
Ingredients & Flavours:	**73%**
Consumer Foods:	27%

GROUP REVENUE BY DESTINATION



EMEA	**55%**
Americas	32%
Asia Pacific	13%

GROUP TRADING PROFIT



Ingredients & Flavours:	**81%**
Consumer Foods:	19%

Group trading profit increased by 9.4% to €611m reflecting 10.6% like-for-like (LFL) growth. The Group's focus on added value business development, coupled with the elimination of non-core business activities and significant business operational improvements due to the 1 Kerry Business Transformation Programme, contributed to a 90 basis points improvement in the Group trading profit margin to 10.5%. This reflects a 90 basis points improvement in trading margin in ingredients & flavours to 12.9% and a 30 basis points improvement in Kerry Foods' margin to 8%.

Adjusted profit before tax, brand related intangible asset amortisation and non-trading items increased by 9% to €532m. The income statement charge arising from integration of acquisitions, restructuring/reorganisation costs, impairments and loss on disposal of non-current assets/ businesses amounted to €352m (net of tax) resulting in a net cash outflow of €41.6m after tax.

Adjusted profit after tax before brand related intangible asset amortisation and non-trading items increased by 10.3% to €453m. Adjusted earnings per share increased by 10.2% to 257.9 cent (2012: 234 cent). The Board recommends a final dividend of 28 cent per share, an increase of 12% on the 2012 final dividend. Together with the interim dividend of 12 cent per share, this brings the total dividend for the year to 40 cent, an increase of 11.7% on 2012.

Expenditure on research and development at €186m was similar to the prior year level. Net capital expenditure amounted to €177m (2012 : €156m). The Group achieved a record free cash flow of €412m (2012 : €344m).

BUSINESS REVIEWS

Ingredients & Flavours

Kerry's ingredients & flavours business performed well throughout all geographic markets in 2013, benefiting from its leading taste, nutritional and functional ingredients & actives technology platforms. Demand for nutritional enhancement, health & wellness offerings without compromising on taste, wider flavour profiles, convenient on-the-go and snacking options, coupled with increased momentum towards clean-label solutions continued to drive innovation - providing good growth opportunities for Kerry's technology portfolio. Sales revenue grew by 2.4% on a reported basis to €4.3 billion, reflecting underlying sales growth of 5.9%. Continuing business volumes increased by 4.1% and pricing increased by 1.8%. Solid growth was achieved in all regional developing markets. Reported revenue grew by 2.2% in Savoury & Dairy systems, 7.4% in Beverage systems, 5.2% in Pharma / Functional ingredients while Cereal & Sweet reported revenues declined by 2.4%.

Kerry achieved a strong performance throughout North and South American markets in 2013 despite sectoral issues in some food industry categories. Solid market development was achieved through key food processor and foodservice accounts. Performance was boosted by successful integration of businesses acquired in 2011 / 2012 and through acquisitions completed during the year under review.

Revenue in the Americas region increased by 4.2% on a reported basis to €1,882m, reflecting underlying sales growth of 6.2%. Continuing business volumes grew by 4.4% and pricing increased by 1.8%.

Revenues in the EMEA region at €1,601m were broadly unchanged on a reported basis reflecting underlying sales growth of 4%. Continuing business volumes grew by 2% and pricing increased by 2%. Reported sales revenue in the Asia-Pacific region grew by 5.4% to €765m reflecting underlying sales growth of 9.8%. Continuing business volumes grew by 8.2% and pricing increased by 1.6%.

TRADING PROFIT IN INGREDIENTS & FLAVOURS GREW BY 10% TO €558m WITH THE DIVISION'S TRADING MARGIN IMPROVED BY 90 BASIS POINTS TO 12.9%.

Consumer Foods

Consumer confidence remained weak in the UK and Ireland in 2013 as inflation continued to outstrip growth in average incomes. Sales through Discounter retail channels, Convenience multiples / Symbol groups and private label offerings continued to grow. 'Online' is playing an increasing role in supporting retail sales, adding to competitive marketplace pressures and structural changes in customer service. In addition weak underlying market growth continues to fuel competition for market share with promotional activity focused on price maintained at a high level in most food categories.

Kerry Foods' strong market positioning assisted performance – in particular in the UK branded sector. The division commenced a major review of its business portfolio and to reconfigure its business structures for sustainable profitable growth. The ongoing restructuring programme to refocus its business model on its core offerings impacted sales in 2013 – in particular in the direct-to-store services to the independent and convenience retail sectors in the UK and Ireland. Reported revenues decreased by 6.5% to €1,601m, despite underlying sales growth of 1.3%. Continuing business volumes increased slightly relative to the prior year and net pricing increased by 1.2%. Trading profit decreased by 2.9% to €129m. The business restructuring programme to-date contributed to the division's 30 basis points improvement in trading margin to 8%.

Against the background of major structural changes in the marketplace, Kerry Foods is focused on strengthening its consumer foods business portfolio to achieve a high quality business in line with Group metrics. Capitalising on snacking, health and convenience trends, this investment programme will focus on a Kerry Foods' portfolio capable of driving sustained profitable growth. Businesses which are underperforming relative to the division's strategic objectives or non-core to this market growth strategy are held for sale.

Brian Mehigan

Chief Financial Officer

Flor Healy

CEO Kerry Foods

Gerry Behan

President & CEO Kerry Ingredients & Flavours

Finance

Finance costs (net) for the year increased by €5.5m to €67.6m (2012: €62.1m) primarily due to higher interest rates. The Group's average interest rate for the year was 4.0%, an increase of 50 basis points from the prior year (2012: 3.5%). Non-trading items of €352.2m net of tax (2012: €135.5m) were recorded in 2013 with a net cash outflow of €41.6m (2012: €42.8m).

The tax charge for the year, before non-trading items, was €79.1m (2012: €77.3m) representing an effective tax rate of 15.3% (2012: 16.3%). The decrease in the effective tax rate, which excludes the impact of non-trading items, was primarily driven by the geographical mix of profits.

In 2013 the Group achieved a free cash flow of €412.1m (2012: €344.5m) with a free cash flow to EBITDA conversion rate of 57.2%.

Net debt at the end of the year was €1,083.1m (2012: €1,210.8m). The Group's balance sheet is in a good position and with a net debt to EBITDA ratio of 1.5 times the organisation has sufficient headroom to support its future growth plans.

The Company's shares traded in the range €37.70 to €50.50 during the year. The share price at 31 December was €50.50 (2012: €40.06) giving a market capitalisation of €8.9 billion (2012: €7.0 billion). Total Shareholder Return for 2013 was 27%.

FUTURE PROSPECTS

We have made excellent progress through our business transformation programmes and in alignment of our global business resources to optimise business performance and capitalise on the Group's significant global growth opportunities. Our market-leading ingredients & flavours technologies are well focused on our targeted nutrition, taste and developing market platforms for growth. Group capital resources will be strategically invested in organic development of these growth platforms and complementary acquisition opportunities will continue to be explored where possible.

Focused on current market growth sectors and convenience trends, a sustainable growth framework will be prioritised in Kerry Foods which will establish a high quality business model in line with Kerry's long term growth objectives.

Based on current exchange rates, the Group expects to achieve 6% to 10% growth in adjusted earnings per share to a range of 273 to 284 cent per share in 2014.

STAN MCCARTHY
Chief Executive

INNOVATION FOR ALL LIFE STAGES

KERRY HAS A MARKET-LEADING PORTFOLIO OF GENERAL WELLNESS & ENABLING TECHNOLOGIES, NUTRITIONAL INGREDIENTS & ACTIVES AND NUTRITION DELIVERY SYSTEMS

ENHANCING SPORTS NUTRITION

BY COMBINING OUR KERRY TECHNOLOGIES, WE CAN PROVIDE SOLUTIONS THAT DELIVER THE DESIRED NUTRITIONAL COMPONENTS AND BENEFITS WHILE ALSO DELIVERING GREAT TASTE AND CONVENIENCE

KERRY PROVIDES THE LARGEST, MOST INNOVATIVE PORTFOLIO OF TASTE & NUTRITION SYSTEMS AND FUNCTIONAL INGREDIENTS & ACTIVES FOR THE GLOBAL FOOD, BEVERAGE AND PHARMACEUTICAL INDUSTRIES.

INGREDIENTS & FLAVOURS

Sales revenue grew by 2.4% on a reported basis to €4.3 billion, reflecting underlying sales growth of 5.9%. Continuing business volumes increased by 4.1% and pricing increased by 1.8%. Solid growth was achieved in all regional developing markets.

Kerry's ingredients & flavours business performed well throughout all geographic markets in 2013, benefiting from its leading taste, nutritional and functional ingredients & actives technology platforms. Demand for nutritional enhancement, health & wellness offerings without compromising on taste, wider flavour profiles, convenient on-the-go and snacking options, coupled with increased momentum towards clean-label solutions continued to drive innovation - providing good growth opportunities for Kerry's technology portfolio. Reported revenue grew by 2.2% in Savoury & Dairy systems, 7.4% in Beverage systems, 5.2% in Pharma / Functional ingredients while Cereal & Sweet reported revenues declined by 2.4%.

Trading profit grew by 10% to €558m and the division's trading margin increased by 90 basis points to 12.9%. In 2013 ingredients & flavours accounted for 73% of Group revenue and 81% of Group trading profit.

Development and investment in the Group's Global Technology & Innovation Centres and Regional Development & Application Centres continued to drive successful product innovation through key global and regional accounts.

AMERICAS REGION

Kerry achieved a strong performance throughout North and South American markets in 2013 despite sectoral issues in some food industry categories. Solid market development was achieved through key food processor and foodservice accounts. Performance was boosted by successful integration of businesses acquired in 2011 / 2012 and through acquisitions completed during the year under review. Revenue in the Americas region increased by 4.2% on a reported basis to €1,882m, reflecting underlying sales growth of 6.2%. Continuing business volumes grew by 4.4% and pricing increased by 1.8%.

Beverage systems & flavours maintained strong growth across all segments of the market including new nutritional beverage launches leveraging Kerry's ingredients, flavours and packaging / processing capabilities. Tea and coffee applications recorded strong growth in particular in the foodservice channel through major chains and through Kerry's branded products. Beverage flavours, benefiting from integration of the Cargill's flavours business, saw continued growth in particular through flavour modulation delivering enhanced taste and nutritional benefits. Craft and speciality beverages also provided good growth opportunities. *Big Train* acquired prior to year-end 2012 was successfully integrated providing a significant boost to the Group's branded beverage portfolio in all geographic regions. Development in LATAM markets benefited from Kerry's locally established production facilities and Innovation Centre contributing excellent growth in the soft drinks segment and in the fast growing foodservice beverage sector.

Savoury, Dairy & Culinary systems & flavours saw slower growth due to weaker market conditions in some industry segments. Kerry technologies continued to benefit from growing consumer demand in the chilled, frozen and shelf stable yoghurt sectors. Multiple line extensions in prepared meals, sides and breakfast menus provided good

REVENUE		TRADING PROFIT		TRADING MARGIN	
2013	€4,327m	2013	€558m	2013	12.9%
GROWTH	5.9%*	GROWTH	10%	GROWTH	+90bps

* (USG)

THE GROUP IS WELL FOCUSED ON OUR TARGETED NUTRITION, TASTE AND DEVELOPING MARKET PLATFORMS FOR GROWTH.

growth for Kerry's sauce technologies which benefited from integration of the *Millennium Foods* business acquired in August 2012. Seasonings achieved good growth through key global and regional accounts in the snacks sector and also through major launches in the fast growing QSR breakfast segment. Strong growth was achieved through coatings systems in the meat sector. Demand for clean-label and gluten-free products also provided strong innovation and product development opportunities. Successful integration of *Griffith do Brasil* assisted growth in added-value segments of LATAM markets.

Prior to year-end, the Group acquired US based *Wynnstarr Flavors* – an industry leader in savoury flavours with a strong heritage in chef-style culinary flavours development and well established customer relationships – in particular with foodservice solutions providers in North American markets. Operating from modern flavour development facilities in Congers, NY and in Louisville, KY, Wynnstarr creates, develops and produces natural savoury flavour solutions utilising proprietary manufacturing processes.

Cereal & Sweet technologies performed well against a background of reduced sales in some industry sectors – in particular the RTE breakfast cereals market. Kerry maintained growth through wider applications in the nutritional and energy bar segments and through 'on-the-go' breakfast menu options. Demand for high-protein lines also provided market development opportunities in both the bar and cereals sectors. Kerry's innovation capabilities in sweet technology achieved good growth in the ice cream, frozen desserts, yoghurt and bakery end-use-markets. Shelf life extension technologies continued to record solid growth in confectionery and bakery markets.

Pharma ingredients grew solidly through excipient and coatings applications benefiting from the Group's expanded production facilities in the US and India. Regional developing markets are providing double digit growth opportunities for cell nutrition products in pharmaceutical and bio-technology applications.

EMEA REGION

With challenging market conditions across Europe impacting growth in many food and beverage industry segments, Kerry continued to realign its regional business operating footprint through the Group's 1 Kerry Business Transformation Programme which benefited financial performance in 2013. A major focus on expanding business growth platforms in EMEA developing markets, including the Middle East, North Africa and Turkey, Russia & Eastern Europe and the Sub-Saharan Africa regions achieved excellent results to-date through increased innovation and development in line with global and regional zone growth programmes.

Revenues in the EMEA region at €1,601m were broadly unchanged on a reported basis reflecting underlying sales growth of 4%. Continuing business volumes grew by 2% and pricing increased by 2%.

The work programme to establish a Kerry Global Technology & Innovation Centre in Ireland to serve the Group's global and regional customers in the EMEA region is well advanced and on schedule to be operational in early 2015. As announced the Group is investing €100m in the new Centre which

THE WORK PROGRAMME TO ESTABLISH A KERRY GLOBAL TECHNOLOGY & INNOVATION CENTRE IN IRELAND TO SERVE THE GROUP'S GLOBAL AND REGIONAL CUSTOMERS IN THE EMEA REGION IS WELL ADVANCED.

will provide strategic customers with access to Kerry's complete breadth and depth of technologies and will be a focal point for all scientific research, innovation, technology and product development. In October 2013, Kerry opened a new Regional Development & Application Centre in Dubai to serve the Group's customer base in the Middle East, North Africa and Turkey.

Beverage systems & flavours recorded solid growth particularly in the foodservice channel – consolidating Kerry's position as the leading provider of hot and cold coffee solutions, and beverage and sweet syrups in Western European markets. In the branded segment *Big Train* lines including cappuccino mixes, protein mixes, smoothies and flavoured syrups were added to the Da Vinci range. Market development also benefited from the successful integration of Cargill's flavours business. Citrus technologies recorded good growth in Northern European markets. Good progress was achieved in Sub-Saharan Africa through innovative brewing and beverage flavour solutions to leading brewers.

Savoury, Dairy & Culinary systems performed satisfactorily notwithstanding a slowdown in product development due to competitive industry issues. Health and wellness trends continued to increase demand for Kerry's sodium reduction and umami technologies. Growing demand for convenience lines resulted in strong growth through culinary and dairy systems in developing markets. Meat systems performed well despite the challenging industry conditions including the impact of the Equine DNA issues on consumer confidence in Northern Europe. However the warm summer weather provided good growth opportunities in barbeque segments. Further advances in clean label functional meat systems also led to good growth in store-cupboard ingredients applications.

Cereal & Sweet systems and flavours performed satisfactorily. Good growth was achieved in the bakery and cereal bar categories through Kerry's unique low-water activity fillings and textured sauces. In the ice cream sector good growth was recorded through development of new inclusion lines for premium and super premium applications. South Africa based *Orley Foods* acquired in March performed well, providing a significant boost to Kerry in meeting customer requirements for sweet ingredient solutions in regional developing markets. Kerry continued to achieve satisfactory growth in niche sectors of the RTE cereals market.

In line with the Group's **Nutrition** strategy, significant progress was achieved in 2013 in broadening Kerry's portfolio of General Wellness & Enabling Technologies, Nutritional Ingredients & Actives and Nutrition Delivery Systems. Performance of the business was strong particularly in developing markets. Significant growth was achieved in premium infant nutrition applications. Kerry hydrolysed proteins also grew through innovative nutritional products launched in China.

Primary Dairy market prices increased significantly in 2013 due to increased demand in importing countries and a relatively tight global supply position.

EXPLORING NEW OPPORTUNITIES


NO 1 GLOBALLY FOR TASTE & INGREDIENTS SOLUTIONS WITH MARKET-LEADING CULINARY, APPLICATIONS AND SAVOURY EXPERTISE
TOP 5 GLOBAL FLAVOUR PROVIDER

KERRY GROUP HAS WELL ESTABLISHED CAPABILITY IN DEVELOPED AND DEVELOPING MARKETS AND HAS ALREADY ACHIEVED €1 BILLION REVENUE IN DEVELOPING MARKETS

DEVELOPING UNIQUE SOLUTIONS

AGAINST A BACKGROUND OF WEAKER ECONOMIC CONDITIONS IN MANY DEVELOPED AND DEVELOPING MARKETS, THE GROUP ACHIEVED GOOD UNDERLYING GROWTH AHEAD OF OUR MARKETS IN 2013.

ASIA-PACIFIC REGION

While economic growth was below recent levels in Asia, Kerry continued to record strong market development throughout the Asia-Pacific region. Consumer demand in some Asian countries was slightly reduced due to relatively weaker currencies, but demand for the Group's nutritional systems, taste solutions and functional ingredients & actives continues to increase at encouraging levels. Reported sales revenue in the region grew by 5.4% to €765m reflecting underlying sales growth of 9.8%. Continuing business volumes grew by 8.2% and pricing increased by 1.6%.

Savoury & Dairy systems saw slower growth in line with consumer demand trends. However growth was maintained in the rapidly expanding foodservice sector in the region. Dairy systems performed well in the bakery and snacking end-use-markets. Lipid systems grew satisfactorily through nutritional applications in China. Sectoral issues in the Australian meat industry impacted innovation levels but volume growth was maintained through seasonings and coatings' applications.

Sweet technology expansion was further progressed with strong development throughout the regional bakery sector. Kerry Pinnacle maintained strong growth in the Australian lifestyle bakery segment with significant launches in major retail chains. In December Kerry announced the establishment of a new custom-built manufacturing facility to meet growing demand for prepared bakery products in Melbourne, Australia.

Beverage systems maintained solid growth. Benefiting from the Cargills' flavours acquisition, beverage flavours grew strongly in particular through tea and coffee applications in South East Asia and through sweet beverage applications in South West Asia. Kerry's branded beverage offerings including Da Vinci, Café D'Amore and Big Train performed well in the foodservice sector.

Functional ingredients continued to perform well in particular through enzymes in the bakery and beverage sectors and through protein hydrolysates in the Asian nutritional sector.

In 2014 Kerry will establish a Global Technology & Innovation Centre and regional headquarters for Asia in Singapore. The Centre will be supported by Kerry Regional Development & Application Centres in China, India and Thailand. In addition the Group is also establishing five Regional Customer Centres in Indonesia, Japan, Korea, the Philippines and Vietnam.

INNOVATIVE WELLNESS & NUTRITION SOLUTIONS

INDUSTRY-LEADING RD&A INVESTMENT

DEVELOPMENT AND INVESTMENT IN THE GROUP'S GLOBAL TECHNOLOGY & INNOVATION CENTRES AND REGIONAL DEVELOPMENT & APPLICATION CENTRES CONTINUES TO DRIVE SUCCESSFUL PRODUCT INNOVATION THROUGH KEY GLOBAL AND REGIONAL ACCOUNTS

KERRY FOODS IS A LEADING MANUFACTURER AND MARKETER OF ADDED-VALUE BRANDED AND CUSTOMER BRANDED CHILLED FOODS PRINCIPALLY TO THE UK AND IRISH CONSUMER FOODS MARKETS.

CONSUMER FOODS

Consumer confidence remained weak in the UK and Ireland in 2013 as inflation continued to outstrip growth in average incomes. Sales through Discounter retail channels, Convenience multiples / Symbol groups and private label offerings continued to grow. 'On-line' is playing an increasing role in supporting retail sales, adding to competitive marketplace pressures and structural changes in customer service. In addition weak underlying market growth continues to fuel competition for market share with promotional activity focused on price maintained at a high level in most food categories.

Kerry Foods' strong market positioning assisted performance – in particular in the UK branded sector. The division commenced a major review of its business portfolio and to reconfigure its business structures for sustainable profitable growth. The ongoing restructuring programme to refocus its business model on its core offerings impacted sales in 2013 – in particular in the direct-to-store services to the independent and convenience retail sectors in the UK and Ireland. Reported revenues decreased by 6.5% to €1,601m, despite underlying sales growth of 1.3%. Continuing business volumes increased slightly relative to the prior year and net pricing increased by 1.2%. Trading profit decreased by 2.9% to €129m. The business restructuring programme to-date contributed to the division's 30 basis points improvement in trading margin to 8%.

Against the background of major structural changes in the marketplace, Kerry Foods is focused on strengthening its consumer foods business portfolio to achieve a high quality business in line with Group metrics. Capitalising on snacking, health and convenience trends, this investment programme will focus on a Kerry Foods' portfolio capable of driving sustained profitable growth. Businesses which are underperforming relative to the division's strategic objectives or non-core to this market growth strategy are held for sale.

UK Brands maintained a solid performance despite competitive market pressures. Richmond remains the number 1 sausage brand in the UK, having grown by 5.7% in 2013. Strong growth was achieved in the frozen segment. Richmond has leveraged its brand strength by launching into tea time protein solutions through 'Richmond Mini Meat Balls'. Wall's Pastry grew its overall market share and in its core sub-sector of sausage rolls the brand grew to become the number 1 sausage roll brand in the UK. A highlight of the year was the growth of the Mattessons brand in the meat snacking sector. Fridge Raiders achieved double digit growth and in September a new innovative meat snack line 'Double Dippers' was successfully launched.

Cheestrings UK volumes were lower in 2013 due to reduced promotional activity. Cheestrings Flavours were added to the range in May – bringing new shoppers to the children's cheese snack category. In October, Cheestrings Spaghetti won the "Taste 13" innovations award at ANUGA – the worlds' largest Food Fair. To meet demand for healthy 'on-the-go' dairy snacks, in September LowLow introduced 'LowLow Snack Packs' – a combination of LowLow cheese, crackers and chutney in a convenient snack format.

REVENUE		TRADING PROFIT		TRADING MARGIN	
2013	€1,601m	2013	€129m	2013	8%
GROWTH	1.3%*	GROWTH	(2.9%)	GROWTH	+30bps

* (USG)

Performance in Kerry Foods' **UK Customer Brands** categories was impacted by a number of sectoral issues in 2013. Category growth rates in chilled ready meal and frozen ready meal categories were reduced due to the Equine DNA issues which unfolded during the first quarter and by the hotter than usual summer weather conditions. The chilled ready meals category showed 2% value growth year-on-year, with ready-to-cook recording similar value growth. Sales in the frozen meals category progressively recovered during the year but by year-end the category still reflected an 11% decline compared to the year earlier level. In the dairy sector cheese slices performed well but customer branded dairy spreads lost market share to heavily promoted branded offerings.

Brands Ireland had a mixed performance in a highly competitive marketplace where value offers grew market share. The Galtee and Shaws pork product ranges performed well while the Denny brand share was impacted by heavily discounted private label offerings. Denny extended the 100% Natural Ingredients offerings to a wider product range in the sliced meats sector gaining new listings and incremental volume in key accounts.

In the Irish dairy products sector, Dairygold maintained its brand leadership in the spreads sector achieving 2% value growth. 'Dairygold Baking Block' launched in late 2012 in response to strong growth in homebaking trends achieved solid market penetration.

Cheestrings continued to expand its market positioning in France, Germany and the Netherlands and prior to year-end was successfully launched in Poland and Austria.


100% NATURAL
DENNY
DELI STYLE
Traditional Style Ham
10 Slices


DAIRYGOLD
ORIGINAL


LowLow
Mature Cheddar Spread


cheestrings


RICHMOND
IRISH RECIPE
8 THICK


Charleville


Mattessons


Ficello
Spaghetti
Nature
Emmental


Wall's
CHICKEN & VEGETABLE PASTY


Galtee
TENDER CURE
5 Great Tasting Rashers

FINANCIAL REVIEW

The Financial Review provides an overview of the Group's financial performance for the year ended 31 December 2013 and of the Group's financial position at that date. Specifically, the following measures, which are considered key performance indicators of the Group's underlying performance, are also discussed:

Growth

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

Return

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

ANALYSIS OF RESULTS

Reconciliation of adjusted* earnings to profit after taxation	% change	2013 €'m	2012** €'m
Revenue	(0.2%)	5,836.7	5,848.3
Trading profit	9.4%	611.4	559.0
Trading margin		*10.5%*	*9.6%*
Computer software amortisation		(11.5)	(8.7)
Finance costs (net)		(67.6)	(62.1)
Adjusted earnings before taxation*	9.0%	532.3	488.2
Income taxes (excluding non-trading items)		(79.1)	(77.3)
Adjusted earnings after taxation*	10.3%	453.2	410.9
Brand related intangible asset amortisation		(16.6)	(14.7)
Non-trading items (net of related tax)		(352.2)	(135.5)
Profit after taxation	(67.6%)	84.4	260.7

		EPS Cent	EPS Cent
Adjusted EPS*	10.2%	257.9	234.0
Brand related intangible asset amortisation		(9.4)	(8.4)
Non-trading items (net of related tax)		(200.5)	(77.2)
Basic EPS	(67.7%)	48.0	148.4

* Before brand related intangible asset amortisation and non-trading items (net of related tax).
** Comparatives have been restated to reflect the adoption of IAS 19 (2011) 'Employee Benefits'.
(LFL) like-for-like growth excludes the impact of acquisitions, disposals and foreign exchange translation.

CONTINUING VOLUME GROWTH 2013

3.0%

TRADING PROFIT MARGIN UP 90BPS TO

10.5%

ADJUSTED EPS* GROWTH 2013

10.2%

REVENUE

Like-for-like (LFL) revenue grew **1.5%** after allowing for the impact of business acquisitions net of disposals of **1.4%** and the negative reporting currency impact of **3.1%**. On a reported basis Group revenue decreased by **0.2%** to **€5.8 billion**. Continuing volumes grew by **3.0%** while product pricing increased by **1.6%** amounting to **4.6%** underlying sales growth (USG). Rationalisation volumes, due to restructuring of production across the Group's manufacturing sites and the exit of non-core businesses, amounted to **3.1%** for the year.

LFL revenue growth was **3.4%** in ingredients & flavours after allowing for the impact of business acquisitions net of disposals of **2.3%** and a negative reporting currency impact of **3.3%**. On a reported basis ingredients & flavours revenue increased by **2.4%** to **€4.3 billion** (2012: €4.2 billion). Continuing volumes grew by **4.1%** while pricing increased by **1.8%** amounting to **5.9%** underlying sales growth. Rationalisation volumes amounted to **2.5%** for the year.

In Consumer Foods, LFL revenue decreased by **3.2%** after allowing for the impact of business disposals of **0.7%** and the negative reporting currency impact of **2.6%**. On a reported basis Consumer Foods revenue decreased by **6.5%** to **€1.6 billion** (2012: €1.7 billion). Continuing volumes grew by **0.1%** while pricing increased by **1.2%** amounting to **1.3%** underlying sales growth. Rationalisation volumes amounted to **4.5%** for the year.

LFL revenue growth by destination was **4.6%** in the Americas, **(1.7%)** in EMEA and **8.0%** in Asia Pacific while reported growth in each region was **4.2%** in the Americas, **(3.8%)** in EMEA and **5.4%** in Asia Pacific. Sales to developing markets represent **24%** of ingredients & flavours revenue.

TRADING PROFIT

On a reported basis Group trading profit increased by **9.4%** to **€611.4m** (2012: €559.0m). This equates to LFL growth of **10.6%** allowing for the negative impact of reporting currency of **3.5%** and the contribution from business acquisitions net of disposals of **2.3%**.

TRADING PROFIT MARGIN

Group trading profit margin increased **90 basis points** (bps) to **10.5%**. Ongoing added value business development which is improving product mix, coupled with the benefits accruing through the 1 Kerry Business Transformation Programme and the positive impact from exiting non-core business activities contributed to the improvement in the Group trading profit margin.

Trading profit margin in ingredients & flavours increased by **90 bps** to **12.9%** due to the benefits of improved product mix arising in part from the Cargill Flavours business integration, operating leverage and business efficiency programmes. Trading profit margin in Consumer Foods increased by **30 bps** to **8.0%** due to business efficiency gains combined with the positive impact from exiting non-core business activities.

A comprehensive analysis of the revenue and trading profit performance of the ingredients & flavours and Consumer Foods divisions is included in the Business Review on pages 15 to 27.

FINANCE COSTS (NET)

Finance costs (net) for the year increased by €5.5m to **€67.6m** (2012: €62.1m) primarily due to higher interest rates. The Group's average interest rate for the year was **4.0%** an increase of 50 bps from the prior year (2012: 3.5%).

NON-TRADING ITEMS

Non-trading items of **€352.2m** (2012: €135.5m) net of tax were recorded in 2013 with a net cash outflow of **€41.6m** (2012: €42.8m).

The Group recorded **€189.0m** (2012: €99.8m) of costs net of tax relating to the acquisition and restructuring programme. Acquisition integration costs of **€82.9m** (2012: €58.9m) net of tax relate to the integration of recently acquired businesses in order to fully realise the technology and synergy benefits of these acquisitions. Footprint and supply chain costs of **€69.7m** (2012: €40.9m) net of tax are also included in this charge and these relate to the implementation of the Group's 1 Kerry Business Transformation Programme to provide more efficient and focused manufacturing operations. The final element of the programme relates to Global Technology and Innovation Centre integration costs of **€36.4m** (2012: nil) net of tax arising from the establishment of the Group's Global Technology and Innovation Centres. The net cash outflow on these three programmes in the year was **€68.8m** (2012: €50.2m).

During 2013, the Group also disposed of a number of non-core businesses as well as some property, plant and equipment. A loss of **€54.3m** (net of tax) was recorded on these disposals while the net cash inflow was **€23.0m**.

The Group also recorded a non-cash impairment of assets held for sale in the period of **€108.9m** (2012: nil) net of tax. This impairment relates primarily to non-core convenience channel assets in the Consumer Foods business which are being marketed for sale following a fundamental review of 'go-to-market' strategies.

Further details on non-trading items are available in note 5 to the consolidated financial statements while additional details on the businesses acquired during the year are available in note 31 and in the Business Review.

TAXATION

The tax charge for the year, before non-trading items, was **€79.1m** (2012: €77.3m) representing an effective tax rate of **15.3%** (2012: 16.3%). The decrease in the effective tax rate, which excludes the impact of non-trading items, was primarily driven by the geographical mix of profits.

ADJUSTED EPS

Adjusted EPS increased by **10.2%** to **257.9** cent (2012: 234.0 cent). Basic EPS decreased by **67.7%** from 148.4 cent to **48.0 cent** as a result of the impact of non-trading items.

EXCHANGE RATES

Group results are impacted by fluctuations in exchange rates versus the euro, in particular movements in US dollar and sterling exchange rates. The average and closing rates for US dollar and sterling used to translate reported results are detailed below:

	Average Rates		Closing Rates	
	2013	2012	**2013**	2012
USD	**1.32**	1.28	**1.38**	1.32
STG	**0.84**	0.81	**0.83**	0.82

DIVIDENDS

The Board has proposed a final dividend of 28.0 cent per A ordinary share payable on 9 May 2014 to shareholders registered on the record date 11 April 2014. When combined with the interim dividend of 12.0 cent per share, the total dividend for the year amounted to 40.0 cent per share (2012: 35.8 cent per share) an increase of 11.7%.

KEY PERFORMANCE INDICATORS

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

Key Performance Indicators	Target	2013	2012
Growth			
Adjusted EPS* growth	10%+	**10.2%**	11.3%
Continuing volume growth	3% to 5%	**3.0%**	2.8%
Trading profit margin growth	30 bps p.a.	**90 bps**	10 bps
Return			
Return on average equity (ROAE*)	15%+	**18.0%**	17.0%
Return on average capital employed (ROACE*)	12%+	**14.2%**	12.6%
Cash flow return on investment (CFROI)	12%+	**12.6%**	11.5%

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

Adjusted EPS* growth was **10.2%** for the year. The year on year increase in adjusted EPS from 234.0 cent to **257.9 cent** was primarily attributable to higher trading profits which were partially offset by an increase in finance costs, software amortisation costs and income taxes.

Continuing volume growth in 2013 was **3.0%** (2012: 2.8%) driven by **4.1%** (2012: 4.0%) in ingredients & flavours and **0.1%** (2012: 0.6%) in Consumer Foods.

Trading profit margin increased by **90 bps** to **10.5%** (2012: 9.6%). Trading profit margin in ingredients & flavours increased **90 bps** to **12.9%** (2012: 12.0%) while Consumer Foods trading margin increased **30 bps** to **8.0%** (2012: 7.7%).

Return on investment is measured by the Group on a profit basis using ROAE and ROACE and on a cash basis using CFROI. For 2013 the Group achieved ROAE of **18.0%** (2012: 17.0%) and ROACE of **14.2%** (2012: 12.6%) while CFROI was **12.6%** (2012: 11.5%).

Free cash flow is seen as an important indicator of the strength and quality of the business and of the availability to the Group of funds for reinvestment or for return to the shareholder. In 2013 the Group achieved a free cash flow of **€412.1m** (2012: €344.5m) analysed below with a free cash flow to EBITDA conversion rate of **57.2%**.

Free Cash Flow	2013 €'m	2012* €'m
Trading profit	611.4	559.0
Depreciation (net)	108.9	114.3
Movement in average working capital	(9.4)	(41.2)
Purchase of non-current assets (excluding R&D centres)	(156.0)	(154.3)
Business operating cash flow	554.9	477.8
Capital expenditure on R&D centres	(20.7)	(1.7)
Pension contributions paid less pension expense	(35.6)	(29.5)
Finance costs paid (net)	(50.3)	(48.6)
Income taxes paid	(36.2)	(53.5)
Free cash flow	412.1	344.5

*Comparatives have been restated to reflect the adoption of IAS 19 (2011) 'Employee Benefits' and also the change to movement in average working capital.

BALANCE SHEET

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

	2013 €'m	2012* €'m
Intangible assets	2,392.7	2,459.9
Property, plant & equipment	1,090.5	1,205.6
Other non-current assets	77.3	114.9
Current assets	1,649.1	1,569.3
Total assets	5,209.6	5,349.7
Current liabilities	1,366.6	1,441.6
Non-current liabilities	1,875.5	1,893.7
Total liabilities	3,242.1	3,335.3
Net assets	1,967.5	2,014.4
Shareholders' equity	1,967.5	2,014.4

*Comparatives have been restated to reflect the adoption of IAS 19 (2011) 'Employee Benefits'.

INTANGIBLE ASSETS & ACQUISITIONS

Intangible assets decreased by €67.2m to **€2,392.7m** (2012: €2,459.9m). Intangible assets of **€110.0m** were recorded in the year relating to acquisitions completed by the Group. This was offset by weaker year end exchange rates used to translate intangible assets held in currencies other than the euro and an impairment charge of **€61.0m** (2012: €nil).

RETIREMENT BENEFITS

At the balance sheet date, the net deficit for defined benefit schemes (after deferred tax) was **€207.3m** (2012: €248.3m). The decrease year-on-year results from an increase in the schemes' assets, primarily due to higher investment returns and increased contributions. The schemes' liabilities also increased during the year due to a decrease in discount rates in the UK and Europe and an increase in the inflation assumption in the UK. The net deficit expressed as a percentage of market capitalisation at 31 December was **2.3%** (2012: 3.5%). The charge to the income statement during the year, for both defined benefit and defined contribution schemes was **€52.4m** (2012: €50.8m).

SHAREHOLDERS' EQUITY

Shareholders' equity decreased by €46.9m to **€1,967.5m** (2012: €2014.4m) as profits generated during the year were offset by dividends and the negative impact of retranslating the Group's opening net investment in its foreign subsidiaries due to weaker year end exchange rates.

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

CAPITAL STRUCTURE

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

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

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

FREE CASH FLOW 2013	NET DEBT: EBITDA 2013	ROACE 2013
€412.1m	1.5 times	14.2%

NET DEBT

Net debt at the end of the year was **€1,083.1m** (2012: €1,210.8m). The decrease during the year is analysed in the table below:

Movement in Net Debt	2013 €'m	2012* €'m
Free cash flow	412.1	344.5
Acquisitions (net of disposals) including payments relating to previous acquisitions	(106.8)	(181.8)
Difference between average working capital and year end working capital	(24.6)	35.0
Expenditure on non-trading items	(104.8)	(70.6)
Equity dividends paid	(65.0)	(58.3)
Issue of share capital	0.1	-
Exchange translation adjustment on profits	(0.2)	(1.8)
Decrease in net debt resulting from cash flows	110.8	67.0
Fair value movement on interest rate swaps	(3.9)	(1.4)
Exchange translation adjustment on net debt	20.8	11.3
Decrease in net debt in the year	127.7	76.9
Net debt at beginning of year	(1,210.8)	(1,287.7)
Net debt at end of year	(1,083.1)	(1,210.8)

*Comparatives have been restated to reflect the adoption of IAS 19 (2011) 'Employee Benefits'.

EXCHANGE IMPACT ON NET DEBT

The exchange translation adjustment of **€20.8m** results primarily from borrowings denominated in US dollar translated at a year-end rate of **$1.38** versus a rate of $1.32 in 2012.

Maturity Profile of Net Debt	2013 €'m	2012 €'m
Within 1 year	201.2	2.4
Between 1 and 2 years	(239.1)	(3.0)
Between 2 and 5 years	(207.4)	(935.9)
Over 5 years	(837.8)	(274.3)
Net debt at end of year	(1,083.1)	(1,210.8)
Weighted average maturity (years)	6.3	3.8

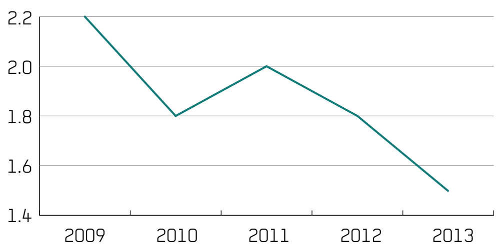
The increase in the maturity profile of the Group's net debt is primarily due to the Group successfully issuing a 10 year $750m debut public bond in April 2013 with an annual coupon of 3.2%.

KEY FINANCIAL COVENANTS

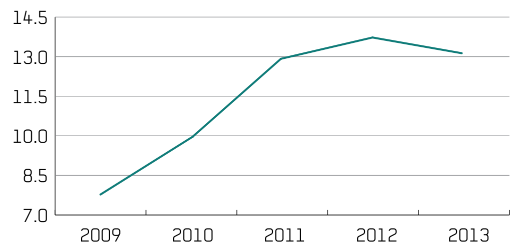
The majority of Group borrowings are subject to financial covenants calculated in accordance with lenders' facility agreements. Group Treasury monitors compliance with all financial covenants and at 31 December the key covenants were as follows:

	Covenant	2013 Times	2012** Times
Net debt: EBITDA*	Maximum 3.5	**1.5**	1.8
EBITDA: Net interest*	Minimum 4.75	**13.3**	13.9

Net Debt: EBITDA*



Net Debt: Net Interest*



* Calculated in accordance with lenders' facility agreements.
**Comparatives have been restated to reflect the adoption of IAS 19 (2011) 'Employee Benefits'.

CREDIT FACILITIES

Undrawn committed facilities at the end of the year were **€927.0m** (2012: €449.0m) while undrawn standby facilities were **€315.0m** (2012: €292.0m).

Full details of the Group's financial liabilities, cash at bank and in hand and credit facilities are disclosed in notes 22 and 23 to the consolidated financial statements.

SHARE PRICE AND MARKET CAPITALISATION

The Company's shares traded in the range €37.70 to €50.50 during the year. The share price at 31 December was **€50.50** (2012: €40.06) giving a market capitalisation of **€8.9 billion** (2012: €7.0 billion). Total Shareholder Return for 2013 was 27%.

INVESTOR RELATIONS

Kerry's senior management team are committed to interacting with the international shareholder community to ensure a full understanding of Kerry's strategic plan, long term targets and current trading performance. During the year members of the executive management team presented at 17 capital market conferences and met approximately 600 institutional investors at conferences, one-on-one meetings and group presentations.

FINANCIAL RISK MANAGEMENT

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

Further details relating to the Group's financial risks and its Financial Risk Management Programme are disclosed in note 23 to the consolidated financial statements and in the Report of the Directors.

SUMMARY AND FINANCIAL OUTLOOK

Despite challenging consumer, trading and financial conditions the Group delivered another strong performance in 2013 generating revenue of **€5.8 billion**, trading profit of **€611.4m** and free cash flow of **€412.1m**. At year end the balance sheet is also in a good position and with a net debt: EBITDA ratio of **1.5 times**, the Group has sufficient headroom to support the future growth plans of the organisation.

Despite challenging market and financial conditions continuing to prevail going into 2014, the Group looks forward to further financial growth and development in the year ahead.

KERRY GROUP - 10 YEAR EARNINGS HISTORY

	2004 €'m	2005 €'m	2006 €'m	2007 €'m	2008 €'m	2009 €'m	2010 €'m	2011 €'m	2012 (Restated)** €'m	2013 €'m
Revenue	4,128.7	4,429.8	4,645.9	4,787.8	4,790.8	4,520.7	4,960.0	5,302.2	5,848.3	**5,836.7**
Trading profit	355.8	380.2	383.7	401.1	409.2	422.3	470.2	500.5	559.0	**611.4**
Computer software amortisation	(1.1)	(1.5)	(2.0)	(2.6)	(3.6)	(4.5)	(4.3)	(5.4)	(8.7)	**(11.5)**
Finance costs (net)	(51.8)	(68.4)	(76.9)	(79.1)	(77.6)	(69.8)	(60.5)	(46.0)	(62.1)	**(67.6)**
Adjusted earnings before taxation*	302.9	310.3	304.8	319.4	328.0	348.0	405.4	449.1	488.2	**532.3**
Income taxes (excluding non-trading items)	(74.9)	(65.7)	(57.8)	(64.5)	(62.7)	(61.2)	(68.7)	(74.6)	(77.3)	**(79.1)**
Adjusted earnings after taxation*	228.0	244.6	247.0	254.9	265.3	286.8	336.7	374.5	410.9	**453.2**
Brand related intangible asset amortisation	(8.7)	(8.8)	(10.1)	(10.0)	(11.3)	(12.3)	(11.8)	(13.9)	(14.7)	**(16.6)**
Non-trading items (net of tax)	(15.2)	0.1	(59.2)	1.2	(77.0)	(73.3)	(0.7)	0.1	(135.5)	**(352.2)**
Profit after taxation and attributable to owners of the parent	204.1	235.9	177.7	246.1	177.0	201.2	324.2	360.7	260.7	**84.4**
Adjusted EPS* (cent)	122.3	130.8	132.8	142.4	151.8	163.9	192.1	213.4	234.0	**257.9**

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

** IAS 19 (2011) 'Employee Benefits' has been adopted as required by IFRS in 2013. The comparatives for the year ended 31 December 2012 have been restated (refer to note 1 and note 26). All other years are presented as reported.

SUSTAINABILITY

KERRY'S SUSTAINABILITY PROGRAMME REPRESENTS A JOURNEY OF CONTINUOUS IMPROVEMENT – AN ONGOING PROCESS AND STRATEGY TO SECURE SUSTAINABLE GROWTH. SUSTAINABILITY IS AT THE HEART OF OUR BUSINESS STRATEGY AND ENSHRINED IN OUR CORPORATE MISSION STATEMENT.

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

OUR APPROACH TO SUSTAINABILITY

This Sustainability Review outlines Kerry's vision and activities within the four main pillars of Kerry's approach to sustainable development. It also demonstrates the Group's commitment to building a sustainable, responsible business which serves and builds value for all our customers, employees, local communities, investors, suppliers and other stakeholders.

In 2012, we launched our 1 Kerry Sustainability Programme 2012-2015, which provides a Kerry Group framework through which to ensure the long-term development of the organisation by building competitiveness, while at the same time enhancing the quality of life and protecting our natural resources. The Programme represents a holistic Groupwide framework and governance approach to sustainable development. It sets out challenging short and long term targets built around four key pillars: Environment, Marketplace, Workplace and Community. This Sustainability Review provides an update on our achievements to date through this programme.

KERRY'S CODE OF CONDUCT

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

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

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

Environment Sustainability

Marketplace Sustainability

Workplace Sustainability

Community Sustainability

Securing Sustainable Growth

1 KERRY SUSTAINABILITY PROGRAMME 2012-2015

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

ENVIRONMENT

The Group acknowledges the universal impact of climate change and the need to stimulate economic and business development in a sustainable manner. We are actively addressing the challenges posed by climate change and have programmes in place to measure, manage and reduce climate change impacts. All our work is increasingly supported by new technologies, processes, innovation and by some of the most experienced and highly trained experts in the industry. Additionally our Group's Environmental Policy, 'Kerry's Eye for the Environment' sets out our core goals for managing our environmental impact.

The Group has ongoing improvement programmes in place with respect to energy utilisation, water intake, effluent and waste; and our Sustainability Programme sets out our targets across these KPIs.

Our extensive environmental management systems identify, track and manage relevant information in relation to organisation-wide environmental performance. These include management systems covering a full range of environmental compliance and performance metrics relevant to Kerry operations measures.

Greenhouse gas (GHG) emission reduction is a priority for Kerry Group. Over the last number of years we have taken responsible action to reduce and manage GHG emissions. In recent years we have been measuring our carbon footprint in accordance with the Greenhouse Gas (GHG) protocol. The footprint measurement includes Scope 1 & 2 emissions (incorporating fossil fuels and fugitive emissions & emissions related to electricity consumption).

OUR PRIMARY FOCUS WAS TO ACHIEVE AN 8% REDUCTION IN GREENHOUSE GAS EMISSIONS BY THE END OF 2012 AND TO ACHIEVE AN OVERALL 12% REDUCTION IN EMISSIONS BY THE END OF 2014 COMPARED TO BASELINE YEAR 2009.

KERRY'S EYE FOR THE ENVIRONMENT

Kerry Group is committed to supplying products that meet or exceed the expectations of our customers while conducting business in an environmentally friendly and responsible manner. This will be achieved through;

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

In 2013 to confirm our carbon accounting is accurate and consistent with Kerry's documented carbon measurement methodology, we worked with an independent third-party, SKM Enviros, to verify our carbon performance data.

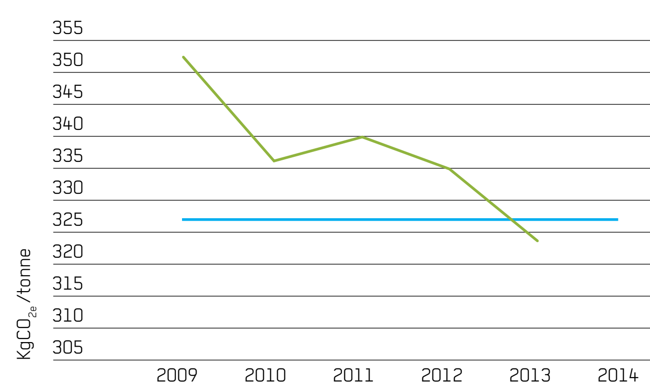
In 2009, Kerry Group committed to achieving an 8% reduction in GHG emissions by the end of 2012 and an overall 12% reduction in emissions by the end of 2014 compared to the baseline year 2009. By the end of 2013, Kerry has achieved a 13% reduction in emissions, 1% ahead of our 2014 target. Kerry's progress in relation to these targets is also communicated and reported through the Carbon Disclosure Project (CDP) process.

SKM Enviros has assured Kerry's carbon performance data from their manufacturing facilities (Scope 1 and 2) for the 2009 baseline year and 2013 in accordance with AA1000AS (2008). SKM Enviros evaluated the systems and processes used to collate and report the carbon performance data and have been able to obtain a moderate level of assurance for the data reported in the Group Annual Report. SKM Enviros' full assurance statement can be found on Kerry's website www.kerrygroup.com

2013 CO_2 PER TONNE FG	2014 TARGET CO_2 PER TONNE FG*
323 Kg	326 Kg
% REDUCTION SINCE 2009*	**% TARGET REDUCTION FROM 2009 BY 2014***
13%	12%

KERRY GROUP CARBON PERFORMANCE (CARBON EMISSIONS PER TONNE) AGAINST TARGET

Actual ■ Adjusted Target* —



* Novem Adjusted

NOTES

1. Kerry Group's KPI (Key Performance Indicator) on Carbon is the Relative Measure of CO2 divided by Tonnes of Finished Goods.
2. Definition of Scope 1 & Scope 2:
   Scope 1 emissions consist of fuel (natural gas, fuel oil, coal, etc.) and fugitive emissions (i.e. refrigerant gas leakage from Chiller systems). No process emissions are generated from Kerry's activities.
   Scope 2 emissions consist of electricity consumption by sites.
3. Kerry Group's target performance is Scope 1 & Scope 2 emissions from our manufacturing facilities (this accounts for 98% of Kerry Group's carbon emissions).
4. Kerry Group's actual performance has been adjusted to reflect like-for-like performance to our baseline year and we are using the Novem Methodology* for carbon reporting to adjust our baseline target reduction number in order to account for changes to product mix that have had a material effect on carbon intensity.
5. The Novem Methodology predicts what the absolute GHG emissions for the production of a group of products would be if the base year emissions/tonne were applied to today's production levels and product mix. This allows a meaningful comparison between two production periods based on improvements in the emissions per tonne for each product group. The Novem procedure applies only where targets are relative and Kerry Group measures GHG emissions on a CO_2/tonne output basis.

2013 WATER m^3 PER TONNE FG	TARGET WATER m^3 PER TONNE FG
4.89	4.94
% REDUCTION SINCE 2011	% TARGET REDUCTION FROM 2011 BY 2014
5%	4%

NOTES

1. Our KPI (Key Performance Indicator) on Water is the Relative Measure of m3 (Meters Cubed) divided by Tonnes of Product Produced.
2. Our Target Performance is Water usage from our Manufacturing Facilities.
3. Our Actual Performance has been adjusted to reflect like-for-like Performance to our Base year.

2013 WASTE m^3 PER TONNE FG	TARGET WASTE PER TONNE FG
130Kg	126Kg
% REDUCTION SINCE 2011	% TARGET REDUCTION FROM 2011 BY 2014
3%	6.5%

NOTES

1. Our KPI (Key Performance Indicator) on Waste is the Relative Measure of Waste divided by Tonnes of Product Produced.

ENVIRONMENTAL MANAGEMENT SYSTEMS

Accredited Environmental Management Systems are progressively being established across all sites. Building on the ISO 14001 certification of all our Kerry Foods manufacturing sites, we are on track to achieve 100% ISO 14001 certification of our Kerry EMEA and Kerry APAC sites in 2014.The Programme to implement ISO 14001 certification of our Kerry Americas' sites is well underway and will be completed by the end of 2015.

WATER MANAGEMENT

By the end of 2013, Kerry has achieved a 5% reduction in water usage, 1% ahead of our 2014 target using 2011 as our base year.

WASTE REPORTING

The Group has made significant progress in relation to our target to reduce waste by 6.5% by the end of 2014 using 2011 as our base year. We continue to roll out waste reduction and recycling initiatives to improve our waste management performance in all our manufacturing operations.

Partnership is essential to addressing solutions for complex environmental challenges. Kerry Group works with governments, non-governmental organisations (NGOs) and customers to understand the environmental issues we face. By fostering relationships with a wide range of stakeholders, we can leverage their expertise and perspective to strengthen our business and drive further environmental performance improvements.

MARKET PLACE

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

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

In combination with our unrivalled culinary, applications and sensory expertise, Kerry is uniquely positioned to provide customers with solutions that allow them to deliver against a number of consumer needs within the nutritional management space. We fully recognise our role in making a positive contribution to healthy diets and lifestyles and have enabled our customers to achieve significant improvement in the nutritional value of their product offerings through calorie reduction, sodium reduction, reduced saturated fats, elimination of trans-fat and incorporation of all-natural ingredients.

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. Our Research Centres of Excellence provide research and expertise enabling the development of new products to meet consumers' changing health and nutritional needs. Our nutritionists also collaborate 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. The Group employs some 800 scientists and food science specialists throughout our Global Technology & Innovation Centres and Regional Development & Application Centres. In 2013 Group expenditure on research, development and application amounted to €186m.

The Group's consumer foods division recognises the role the food industry has to play in helping overcome public health concerns. Kerry Foods is committed to ensuring our products can be consumed with confidence as part of a healthy balanced diet and lifestyle, and has established four areas of priority which underline our commitment.

'BETTER FOR YOU' PROGRAMME

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

In 2012 Kerry Foods joined the Department of Health Public Health Responsibility Deal calorie reduction pledge in the UK. As part of this pledge, we aim to reduce calories by on average 5% in key brands across the categories in which we operate by the end of 2014. Building on our progress under this pledge in 2012 we achieved further calorie reductions across the portfolio in 2013. In addition

to calorie reduction, work on sodium reduction and saturated fat reduction continues across the portfolio - this includes a 32% sodium reduction within the cheese slices category in 2013 compared to 2011 and a 25% reduction in saturated fat in the pastry category.

Fortification of Cheestrings with vitamin D has progressed well. Each Cheestring now contains between 20% and 25% of the nutrient reference value (NRV) for calcium and vitamin D. This was in response to a key public health concern in relation to low vitamin D intakes in UK and Irish children.

LowLow continued to build on the 2010 launch of the brand into the UK market. The LowLow brand consists of a range of cheese products and butter spreads all of which contain at least 30% less fat compared to the standard equivalent product. The brand offers consumers a healthier alternative within these categories without compromising on taste.

Kerry Foods continued to extend the 100% Natural Ingredients offering to a wider Denny product range in the sliced meats sector.

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 are currently updating our nutritional labelling across our portfolio in line with the Food Information to Consumers legislation (EU Regulation No 1169/2011). In addition to mandatory labelling requirements under this legislation we also support the voluntary addition of front of pack 'Reference Intake' information to aid consumer choice.

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

MARKETING

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

COLLABORATION

We continue to work with relevant organisations and government bodies to promote the best possible solutions to questions of health and nutrition and we actively participate in food and nutrition groups, ensuring an industry-wide approach to diet and nutrition issues.

FOOD SAFETY

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

1 KERRY GLOBAL QUALITY MANAGEMENT SYSTEM (GQMS)

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

KERRY GROUP CODE OF CONDUCT FOR SUPPLIERS

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

KERRY'S ORIGIN GREEN STRATEGIES

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

The Origin Green programme aims to ensure that:

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

Kerry's Origin Green Plan includes our ambitions, initiatives and specific targets and timelines in key sustainability areas which the Group has committed to for the next number of years. Progress against these commitments will be communicated regularly to all stakeholders.

KERRY'S EYE FOR FOOD SAFETY AND QUALITY

Kerry is committed to producing safe, high quality food ingredients and consumer food products that consistently satisfy customer needs while complying with all applicable regulatory requirements. As a 1 Kerry organisation leveraging a holistic quality management system, we deliver on this commitment by:

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

WORKPLACE

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

Through our Kerry Code of Conduct, we focus critical attention on ethical business practices and provision of a safe and healthy workplace. We continue to progress implementation of our Kerry Global Health and Safety Management Systems throughout all Group businesses. In 2013 we exceeded our annual target of 5% reduction in the Accident Incident Rate (AIR) throughout the organisation. Business conduct that demonstrates respect for co-workers, suppliers, customers and partners is an absolute expectation.

The Group is committed to the principles of equality and diversity and complies with all relevant equality and anti-discrimination legislation. As our workforce continues to grow and diversify, we will continue to ensure excellence in management practice through the ongoing development of business aligned human resource systems and initiatives. 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. Annually, apart from ongoing career development programmes within the Group, Kerry is also committed to recruitment of a high number of graduates from universities across the globe.

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

EMPLOYEE COMMUNICATIONS

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

EMPLOYEE CONCERNS DISCLOSURE

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

NO CHILD OR FORCED LABOUR

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

POLITICAL ACTIVITIES AND CONTRIBUTIONS

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

HEALTH AND SAFETY

Kerry Group's executive management is committed to a healthy and safe workplace. We manage our business responsibly, in accordance with the requirements set forth in the Group's Eye for Safety Policy, which establishes the fundamental principles that all employees must integrate into their role and each business decision they make.

VOICE A CONCERN

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

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

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

COMMUNITY

Kerry has a proud record of supporting community initiatives and charitable causes. Right through its history from its origins in the co-operative sector in Ireland, the Group has committed significant financial resources and considerable management/ employee time in assisting development of facilities, amenities and charitable projects in the communities where it operates. This philosophy continues to be a core value of the Kerry organisation and on an annual basis the Group sponsors a wide range of education, healthcare, sporting, leisure, arts, amenity, community development and charitable causes. Kerry continues to play a vital role in supporting local communities and in participating in community development programmes throughout the world.

COMMUNITY FOCUS AREAS

In our communities our primary areas of focus and support are; (a) health, hunger and nutrition, (b) entrepreneurship, (c) amenity/community development, (d) education, arts and sport and (e) sustainable agriculture. These areas are of critical importance to our customers, consumers, employees, shareholders and the communities in which we operate.

In December 2011, Concern Worldwide and Kerry Group announced a pioneering initiative aimed at improving under-nutrition and mortality rates in children under two years of age in the developing world. Kerry is contributing €1.25m of the overall €3.7m budget to the five year pilot project called RAIN (Realigning Agriculture to Improve Nutrition) in the Mumbwa District, Zambia. In Zambia, nearly one child in two suffers from chronic malnutrition, resulting in irreversible stunting.

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

In 2013, the programme:

- Expanded by 30%, with almost 4,500 families now participating.
- Trained almost 200 model farmers in the promotion of appropriate agricultural production.
- Worked with 100 Community Health Volunteers who educate their own communities on issues such as maternal and infant nutrition.
- Distributed goats to over 650 participants as part of a "pass-on" scheme, in which animal offspring are given to other groups.
- Provided gender training to 2,000 people in order to increase women's influence on household decisions and participation in community initiatives.
- Developed a public education programme on nutrition.

In 2013, Kerry Group and Concern with award winning designer Paul Martin delivered the spectacular "Kerry Group/Concern 1000 Days Garden" for 'Bloom', Ireland's largest gardening, food and family event. The garden told the engaging story of the 'RAIN' project by enthralling, educating and connecting people in a moving and tangible way.

In line with Kerry's primary area of focus in supporting our communities, a broad range of community development, amenity, entrepreneurship, education, arts, sport, heritage and economic development projects are being successfully implemented throughout all Group businesses including:

Kerry GAA Centre of Excellence Project

In 2013, Kerry Group announced that it will contribute €1million towards the establishment of a new Kerry GAA Centre of Excellence and associated facilities. In line with the 'Kerry GAA 2020 Vision Programme', the planned new development comprises two distinct but complementary centres, 'The Kerry GAA Centre of Excellence, IT Tralee' and associated Kerry GAA training facilities in Currans, Co. Kerry. The new state-of-the-art facilities will be established on a phased basis to provide essential training and development programmes for all Kerry Inter-County GAA teams and Development Squads.

The Group's financial contribution to this worthwhile community project is additional to our annual corporate sponsorship of all Kerry Inter-County GAA teams. Our commitment to this Programme recognises the centrality and enormous contribution of the GAA to its communities right across Ireland and abroad.

Kerry Group Rás Mumhan

The Kerry Group Rás Mumhan is now recognised as a premier international cycling event. A record number of 180 riders registered for the Kerry Group Rás Mumhan 2013. With teams from Holland, England, the Isle of Mann, Italy and Luxembourg competing with the best of Irish, the event is growing in stature each year and is a significant boost to the economy of the region.

Listowel Writers' Week

Listowel Writers' Week is Ireland's longest running literary festival, renowned for bringing together international writers and audiences in the historical and intimate surroundings of Listowel, Co Kerry. Listowel Writers' Week also features theatre, music, cinema, art exhibitions, literary bus and walking tours plus an expanded children's programme.

Launched in 1995, 'The Kerry Group Irish Novel of the Year Award' is the largest monetary prize for fiction available solely to Irish authors. The Award celebrates excellence in Irish fiction writing. Previous winners of the award include Christine Dwyer Hickey, Neil Jordan, John Banville, Joseph O'Neill, Roddy Doyle, Sebastian Barry, John McGahern and Gavin Corbett.

Kerry Group & Console

In 2013, Kerry Group provided significant financial support for a new Console facility providing valuable counselling services and 24-hour helpline support to people in crisis in the South West of Ireland. The Console Centre provides a broad range of community-based supports, services and resources for those affected by, or at risk of suicide.

'OUR EARTH, OUR HOME'

Over 500 employees and business partners of Kerry Thailand participated in the 'Our Earth, Our Home' project in October 2013. Over 6,200 mangrove trees were planted in 2,000 square metres of land at Bangpu Nature Education Centre in the Samutprakan province. This project protects the Mangrove forest which is critical for coastal protection and ensuring the conservation of the natural habitat for different plants and animals.

The United Way Annual Day of Caring

In the Americas, our charitable giving focus is advancing the health, nutrition and wellness of children and families in the communities where we live and work. We act on this focus through corporate giving, employee engagement, community event sponsorships and our United Way Campaign.

In 2013, more than a hundred Kerry Americas employees participated in the United Way's Annual Day of Caring. This initiative helps foster collaboration and engagement in local communities to support meaningful projects that advance the common good.

The United Way, a U.S. based organisation, focuses on improving lives by mobilising the caring power of communities to:

- Ignite a worldwide social movement, and thereby mobilise millions to action —to give,advocate and volunteer to improve the conditions in which they live.
- Galvanise and connect all sectors of society —individuals, businesses, non-profit organizations and governments —to create long-term social change that produces healthy, well-educated and financially-stable individuals and families.
- Raise, invest and leverage billions of dollars annually in philanthropic contributions to create and support innovative programs and approaches to generate sustained impact in local communities.

As part of our United Way efforts, Kerry employees spent the Day of Caring making repairs to buildings, clearing land to make green space and helping local non-profit agencies with skilled administrative tasks. Employees completed projects for the United Way Blackhawk Region of Rock County, Wisconsin and Winnebago County, Illinois.

RAIN CASE STUDY, ZAMBIA

Name: Jane Chibemba
Age: 39
Children: 5
Husband: Dowell Mululi

Jane Chibemba is a 39 year old mother of five. She lives in the village of Mululi in the district of Mumbwa in Western Province, Zambia. She joined the RAIN project in 2011 and she was selected to be a Smallholder Model Farmer (SMF) by her fellow women in the village because of her dedication to her work.

Before Jane joined the RAIN project, following a visit to an under-five clinic, it became apparent that her children were malnourished and suffering from poor growth which could result in the children falling behind in school as they could not concentrate. Her children were very susceptible to illnesses as well.

In spite of eating twice a day the family's diet lacked any proper nutrition as they farmed only maize and cotton. As a result the diet consisted of maize and roots from the fields. The children were often hungry and Jane comments that her biggest challenge before the RAIN project was 'the lack of knowledge on how to properly feed her children a nutritious and balanced diet'.

Jane became aware of the RAIN project when staff from Concern and its partners visited her community to sensitise community members about the RAIN project in trying to reduce malnutrition and stunting among children in the community through the provision of micro nutrient crops and training in agriculture production, nutrition and gender awareness.

As part of the project Jane was given technical knowledge and skills through training provided by the RAIN team. These knowledge and skills have helped her to grow several micro rich nutrient crops including, rapeseed, carrots, egg plants, soy beans, groundnuts cow peas and many others. She also uses the solar dryer she was given as part of the programme to dry her vegetables for future consumption, meaning her family eats a balanced diet all year round.

Jane was given training in nutrition issues and awareness and as a result she now says she "has the knowledge to feed her children properly in terms of what to feed them and how often to feed them". The children now eat five times a day and this includes, breakfast, mid-morning snack, lunch, afternoon snack and dinner. They eat a variety of foods including eggs, meat and chicken as well as fruits like bananas and vegetables.

The family was also given access to chickens and goats which help to provide the much needed protein in their diets. They drink goat's milk which is rich in nutrients and they use the manure from the animals to improve soil fertility in their vegetable garden.

Talking about her involvement in the RAIN programme as a SMF, Jane says her role is to educate other women in her community around agriculture and nutrition. Other villagers come to learn from Jane and she says she wants 'to set an example for other women in the community'.

The RAIN programme also tackles the issue of gender awareness, in particular securing support from the husband for work on improving agriculture and nutrition at household level.

Through Jane's involvement with the RAIN project her husband, Dowell Mululi, has been educated in gender issues, training and in particular the importance of working together. Men now appreciate the importance of gardening as it produces a variety of vegetables needed for good nutrition. Jane says that 'today because of the RAIN project my husband supports me and I have a voice in the household now.'

Dowell has seen the benefits of working together with Jane as they are able to grow crops that improve the nutrition for the family as a whole. Their children are no longer malnourished and they now attend school. Jane is confident this is a result of the RAIN project and she says she 'would like to thank Kerry Group for everything they have provided through the RAIN project but most of all she would like to thank them for the knowledge she was given so she can feed her children properly'.

REPORT OF THE DIRECTORS

DIRECTORS AND OTHER INFORMATION

DIRECTORS

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

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WEBSITE

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The Directors submit their Annual Report together with the audited financial statements for the year ended 31 December 2013.

PRINCIPAL ACTIVITIES

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

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

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 another strong performance for 2013 with an increase in adjusted earnings per share (EPS) before brand related intangible asset amortisation and non-trading items (net of related tax) of **10.2%** over 2012 to **257.9 cent** (2012: 234.0 cent restated). Revenue for the year amounted to **€5.8 billion** (2012: €5.8 billion). Further details of the results for the year are set out in the Consolidated Income Statement, in the related notes forming part of the financial statements and in the Business Review. The Group's key performance indicators are discussed in the Financial Review.

On 24 February 2014, the Directors recommended a final dividend totalling **€49.2m** in respect of the year ended 31 December 2013 (see note 10 to the financial statements). This final dividend per share is an increase of **12.0%** over the final 2012 dividend paid on 10 May 2013. This dividend is in addition to the interim dividend paid to shareholders on 15 November 2013, which amounted to **€21.1m**. The payment date for the final dividend will be 9 May 2014 to shareholders registered on the record date 11 April 2014.

SHARE CAPITAL

Details of the share capital are shown in note 27 of the financial statements. The authorised share capital of the Company is €35,000,000 divided into 280,000,000 A ordinary shares of 12.5 cent each, of which **175,723,078** shares were in issue at 31 December 2013.

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

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

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

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

The Directors have the authority to issue new shares in the Company up to the authorised but unissued share capital of the Company but may only allot shares for cash on a non pro-rata basis up to a maximum of 5% of the issued share capital. This authority will expire on 1 May 2014 and it is intended to seek shareholder approval for a new authority at the Annual General Meeting (AGM) to be held on 1 May 2014.

During 2013, **58,604** shares vested under the Company's Long Term Incentive Plan. In the same period, **37,811** share options granted under the Company's Long Term Incentive Plan were exercised. Further details are shown in note 28 to the financial statements.

The Company may purchase its own shares in accordance with the Companies Acts and the Company's Articles of Association. At the 2013 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 1 May 2014 and it is intended to seek shareholder approval for its renewal at the AGM.

ARTICLES OF ASSOCIATION

The Articles of Association empower the Board to appoint Directors but also require Directors to retire and submit themselves for re-election at the next AGM following their appointment. Specific rules regarding the re-election of Directors are referred to on pages 54 and 67.

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 31 and note 37 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 leveraging our global technology capabilities and expertise. To facilitate this, the Group has invested in highly focused research, development and application centres of excellence with strategically located Global Technology & Innovation Centres, supported by Regional Development & Application Centres. It is by leveraging these global resources and sharing industry, academic and Group-wide scientific developments and knowledge that Kerry will continue to lead in its chosen sectors and proactively meet customer and market needs. The Group recognises the need to evaluate market trends, stay at the forefront of technological development and bring these together to deliver commercially successful solutions in the dynamic and competitive food and beverage marketplace.

Expenditure on research and development amounted to **€186.4m** in 2013 (2012: €185.9m).

EMPLOYEES

Kerry Group's success is built around the commitment, skills and creativity of the Group's employees. At Kerry, the focus is on developing our employees' enthusiasm and determination to succeed which is central to the Group's growth strategy. The value of sharing ideas and information with each other is recognised and open communication not only enhances the ability to achieve the Group's business goals it also contributes to a more satisfying work experience for all. It is our policy to communicate honestly, accurately, regularly and consistently with each other at all levels. The Group's policy is to empower line managers to be prime communicators of information to employees in their team. In addition employees are encouraged and expected to contribute their thoughts and ideas during this two-way process.

Diversity is embraced at Kerry Group and there is a commitment to having a work environment that is respectful of everyone. In order to achieve a positive and productive workplace, we work together and realise each individual has something unique to contribute to the overall success of the Group. The Group also recognises that a diverse mix of backgrounds, skills and experiences drives new ideas, products and services and provides us with a sustained competitive advantage. As a result, the Group recruits, hires, develops and retains the best talent from around the world who are dedicated to achieving excellence for all of our stakeholders.

Kerry's Code of Conduct defines business conduct standards for employees across all business areas, functions, locations and roles. The Code of Conduct is applicable to anyone working with or on Kerry's behalf. Ethical everyday actions are the basis of trustworthy, productive relationships with each other, our shareholders, our customers and our suppliers.

Kerry will continue to ensure excellence in management practices through the on-going development of business aligned human resource programmes and initiatives. The Group provides both externally facilitated and in-house structured training and development programmes for employees to 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 2013 was **24,492** (2012: 24,182).

SUSTAINABILITY

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

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

Building on Kerry's nutritional expertise, we continue to invest considerable Group resources in innovation programmes to enhance the nutritional quality of our ingredients and flavours systems and consumer products. We also recognise that the Group's success has been achieved through the commitment, skills and creativity of Kerry's employees. Effective management of health and safety and employee welfare and training is given the utmost priority by the Group.

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

FUTURE DEVELOPMENTS

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

BOARD OF DIRECTORS

The Board consists of 4 Executive and 10 independent Non-Executive Directors. The current Directors are as listed on page 50.

Mr. Denis Buckley
Non-Executive Director
Chairman of the Board
Age 68

Denis Buckley was appointed to the Board on 6 June 1986 and has served as a Director for 28 years. He has served as Chairman for 10 years, having been appointed in August 2003. He has been a member of the Remuneration and Nomination Committees for 17 years following his appointment in 1996 and currently chairs the Nomination Committee. Denis is Chairman of Irish Agricultural Wholesale Society Limited and is a former director of Aryzta AG and One Fifty One plc.

Mr. Stan McCarthy
Executive Director
Chief Executive Officer
Age 56

Stan McCarthy joined Kerry's graduate recruitment programme in Ireland in 1976 and worked in a number of finance roles until his appointment as financial controller in the US on the establishment of Kerry's operations in Chicago in 1984. Following the Group's acquisition of Beatreme Foods Inc. in 1988 he was appointed Vice President of Materials Management and Purchasing. In 1991, he was appointed Vice President of Sales and Marketing and became President of Kerry North America in 1996. He was appointed to the Board on 9 March 1999 and has served as a Director for 15 years. He was appointed Group Chief Executive Officer on 1 January 2008 and has served in this role for six years.

Mr. Brian Mehigan, FCA
Executive Director
Chief Financial Officer
Age 52

Brian Mehigan joined Kerry Group in 1989, having previously worked in practice for six years. He held a number of finance positions within Kerry between 1989 and 2002. He has served as Chief Financial Officer and as an Executive Director on Kerry Group plc's Board for 12 years, having been appointed on 25 February 2002. He is a Fellow of the Institute of Chartered Accountants in Ireland and a graduate of National University of Ireland, Cork.

Mr. Gerry Behan
Executive Director
President & Chief Executive Officer, Kerry Ingredients & Flavours
Age 49

Gerry Behan joined Kerry's graduate recruitment programme in 1986 and has held a number of senior financial and management roles primarily in the Americas Region. He was appointed President and Chief Executive Officer of Kerry Ingredients & Flavours Americas in 2008 and was appointed as an Executive Director to Kerry Group plc's Board on 13 May 2008 and has served as a Board member for six years. He was appointed President and Chief Executive Officer of Kerry Ingredients & Flavours global business on 19 December 2011.

Mr. Flor Healy
Executive Director
Chief Executive Officer, Kerry Foods
Age 51

Flor Healy joined Kerry's graduate recruitment programme in 1984 and has worked for the Group in a number of leading management and finance roles in Ireland and the UK. He was appointed Chief Executive Officer of the Group's Consumer Foods Division in 2004 and was appointed as an Executive Director to Kerry Group plc's Board on 23 February 2004 and has served as a Board member for ten years.

Mr. Michael Ahern
Non-Executive Director
Age 56

Michael Ahern was appointed a Director on 1 January 2014. Michael operates his own business in the agribusiness sector and is a director of Kerry Co-operative Creameries Limited.

Dr. Hugh Brady
Non-Executive Director
Age 54

Hugh Brady was appointed a Director on 24 February 2014. Hugh is President Emeritus of University College Dublin (UCD) where he served as President from 2004 until the end of 2013. A medical graduate, Hugh had a successful career as a physician and biomedical research scientist in the US where he served on the faculty of Harvard Medical School for almost a decade prior to returning to his alma mater as Professor of Medicine and Therapeutics. In addition, Hugh has held many national and international leadership roles which include Chairman of the Irish Health Research Board and Chairman of the Universitas 21 Network of global research universities.

Mr. Sean Bugler
Non-Executive Director
Age 52

Sean Bugler was appointed to the Board on 13 December 2012 and has served as a Director for one year. Sean operates his own business in the agribusiness sector and is a director of Kerry Co-operative Creameries Limited.

Mr. James Devane
Non-Executive Director
Age 52

James Devane was appointed a Director on 1 January 2014. James operates his own business in the agribusiness sector and is a director of Kerry Co-operative Creameries Limited.

Mr. Michael Dowling
Non-Executive Director
Age 69

Michael Dowling was appointed to the Board on 3 March 1998 and has served as a Director for 16 years. Michael chaired the Audit Committee for 13 years having been appointed in January 2000 until he stepped down as chair on 25 February 2013. He continues to be a member of the Audit Committee and has been a member of the Nomination Committee since January 2001. Michael is a director of a number of private companies. He is a former Secretary General of the Department of Agriculture, Food and Forestry in Ireland. He is a Board member of the Agricultural Trust. He is also Chairman of the board of management of the UCC/Teagasc Food Innovation Alliance and is a visiting professor, dealing with agri-food policy, in the Department of Food Business at the National University of Ireland, Cork.

Ms. Joan Garahy
Non-Executive Director
Age 51

Joan Garahy has served two years on the Board having been appointed a Director on 11 January 2012. In addition to being a director of a number of private companies, Joan is managing director of ClearView Investments & Pensions Limited, an independent financial advisory company. She has 25 years of experience of advising on and managing investment funds. She is a former managing director of HBCL Investments & Pensions and director of investments at HC Financial Services. In the past she worked with the National Treasury Management Agency as head of research at the National Pension Reserve Fund and was also head of research with Hibernian Investment Managers. Prior to that, she spent ten years as a stockbroker with both Goodbody and NCB. On 20 February 2012 Joan was appointed to chair the Remuneration Committee and also became a member of the Audit Committee.

Mr. James C. Kenny
Non-Executive Director
Age 60

James C. Kenny has served almost three years on the Board having been appointed on 1 June 2011. James was formerly Executive Vice President of US based Kenny Construction Inc. and also President of Kenny Management Services Inc. He previously served as US Ambassador to Ireland from July 2003 to June 2006. James was appointed a member of both the Remuneration and Nomination Committees on 20 February 2012.

Mr. John Joseph O'Connor
Non-Executive Director
Age 61

John Joseph O'Connor was appointed a Director on 1 January 2014. John Joseph operates his own business in the agribusiness sector and is a director of Kerry Co-operative Creameries Limited.

Mr. Philip Toomey
Non-Executive Director
Senior Independent Director
Age 60

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

BOARD CHANGES

Mr. Kieran Breen, Mr. Denis Carroll, Mr. Gerard O'Hanlon, Mr. Patrick Flahive, Mr. Michael Teahan and Mr. Denis Wallis retired from the Board on 31 December 2013. On 1 January 2014, Mr. Michael Ahern, Mr. James Devane and Mr. John Joseph O'Connor, all of whom are directors of Kerry Co-operative Creameries Limited, were appointed to the Board.

Dr. Hugh Brady was appointed to the Board on 24 February 2014.

Mr. Sean Bugler will retire following the AGM on 1 May 2014.

ELECTION OF DIRECTORS

Under Article 102 of the Company's Articles of Association Mr. Michael Ahern, Dr. Hugh Brady, Mr. James Devane and Mr. John Joseph O'Connor, who were appointed to the Board since the previous AGM, will retire at the next AGM and, being eligible, are seeking re-election.

All other Directors, with the exception of Mr. Sean Bugler who is not seeking re-election, will retire by rotation at the AGM and they being eligible, are seeking re-election at that meeting.

Following the individual performance evaluation of all Directors, as outlined in the Corporate Governance Report on page 57, the Board recommends the re-election of all Directors seeking re-election.

SUBSTANTIAL INTERESTS

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

Shareholder	Number Held	%
Kerry Co-operative Creameries Limited (KCC)	24,048,456	13.7%
The Capital Group Companies, Inc.	8,817,968	5.0%
Blackrock Investment Management	5,278,906	3.0%

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 2013, Article 4 of the IAS Regulations and the Listing Rules of the Irish Stock Exchange and the UK Listing Authority. 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 on the Group website.

The Directors of Kerry Group plc acknowledge these responsibilities and accordingly have prepared this consolidated Annual Report for the year ended 31 December 2013 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 Central Bank of Ireland 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 2013 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 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 2013 and the position of the Group and the undertakings included in the consolidation, taken as a whole, at the year end;
- the Report of the Directors provides a description of the principal risks and uncertainties which may impact the future performance of the Group and the undertakings included in the consolidation taken as a whole; and
- the Annual Report and Accounts, taken as a whole, provides the information necessary to assess the company's performance, business model and strategy and is fair, balanced and understandable.

CORPORATE GOVERNANCE REPORT

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

THE BOARD OF DIRECTORS

Board composition and role

The Board leads and maintains effective control over the Group's activities. The current Board size is 14, having reduced from 16 in the prior year and comprises a Non-Executive Chairman, Chief Executive Officer, Chief Financial Officer, two other Executive Directors and nine Non-Executive Directors.

The current Directors on the Board have extensive business experience which they utilise effectively in governing the Company. The Board as a whole believe the Directors bring the range of skills, knowledge and experience, including food industry and international experience, necessary to lead the Company. As detailed on pages 58 to 60, the key risks and uncertainties facing the Group relate to strategic, operational, financial and compliance risks. The Directors have determined that the composition of the Board provides sufficient commercial, financial and industry specific skills and experience to address the principal risks and uncertainties facing the Group.

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 fundamental responsibility of the Directors is to exercise their business judgement on matters of critical and long-term significance for the Group.

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

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

Chairman and Chief Executive Officer

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

Board operations

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

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

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

Board members undergo a full and formal induction programme on appointment to the Board. Further training is available subsequently, following regular reviews with the Chairman.

Senior Independent Director

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

Independence

Denis Buckley and Michael Dowling have each served on the Board for more than nine years from the date of their respective first elections as Directors. Denis Buckley has served as a director of Aryzta AG, a major international food corporation, and has extensive knowledge of the food and food ingredients industry. Michael Dowling served as secretary general of the Department of Agriculture, Food and Forestry in Ireland. He is acknowledged as a leading expert in agri food strategy and has invaluable skills and expertise in the food and agribusiness industries. The Board has conducted a rigorous review of each Director and considered the knowledge, skills and experience of each. It believes each of them to be of continued significant benefit to the Board and also to be independent in character and judgement as their independence is reviewed on an annual basis by the Nomination Committee.

The Group currently has four independent Non-Executive Directors on the Board who are also directors of Kerry Co-operative Creameries (KCC), the Group's largest shareholder. Over the past twenty eight years KCC's shareholding has reduced from 100% to its current level of 13.7%. The Board is of the opinion that through their knowledge of the industry, these Directors contribute to the achievement of the Group's objectives. Although connected to a major shareholder no trading relationship exists between KCC and the Company. Notwithstanding their connection to KCC, the Board as a whole is of the opinion that these Directors are independent in both character and judgement.

Meetings and attendances

The Board meets at least seven times annually including specific meetings to consider the interim results, interim management statements and full year results. In 2013 it met on seven occasions. Attendances at scheduled Board Meetings during the year ended 31 December 2013 were as follows:

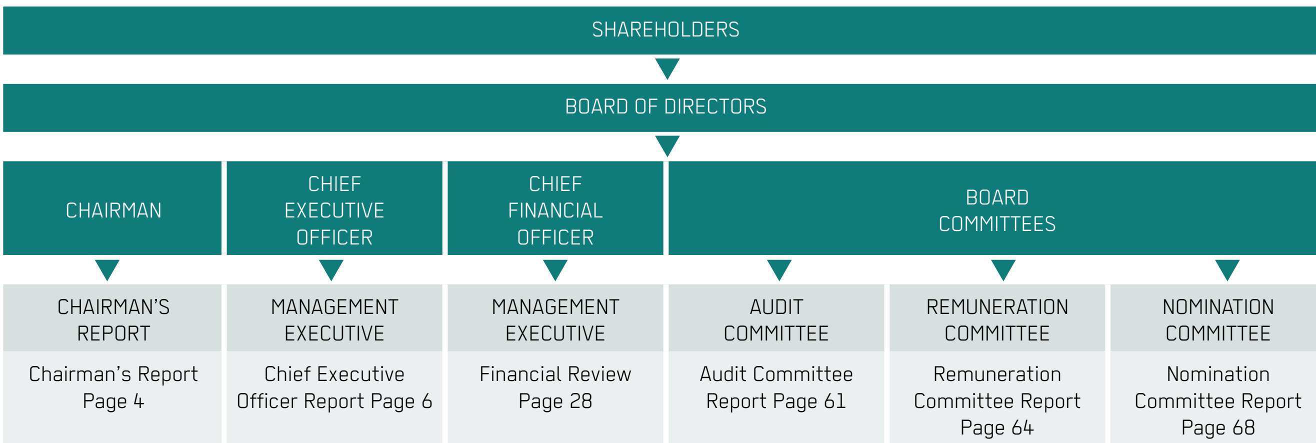
Attendance at 2013 Board Meetings	Attended	Eligible
Directors		
Gerry Behan	6	7
Kieran Breen*	7	7
Denis Buckley	7	7
Sean Bugler	7	7
Denis Carroll*	7	7
Michael Dowling	7	7
Patrick G. Flahive*	7	7
Joan Garahy	7	7
Flor Healy	7	7
James C. Kenny	7	7
Stan McCarthy	7	7
Brian Mehigan	7	7
Gerard O'Hanlon*	7	7
Michael Teahan*	7	7
Philip Toomey	7	7
Denis Wallis*	7	7

*Retired 31 December 2013

Governance Framework and Board Committees

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

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



Board evaluation

In the year under review the Board reviewed its own performance, and also the performance of its Committees and individual Directors. This year the review was carried out with external assistance from Independent Audit Limited. Independent Audit Limited is recognised as a leading firm of board reviewers, based in London, which is fully independent of Kerry Group.

The evaluation involved each Director completing a questionnaire coupled with interviews with the Chairman of the Board, the Senior Independent Director, the Committee Chairs and the Company Secretary. The review focused on the Board and how its Committees support it. The evaluation produced meaningful results, not only highlighting what is working well but also identifying some issues that the Board can address to improve its effectiveness. It was noted that good progress was made in 2013 addressing action points arising from the previous year's review. Independent Audit's overall assessment was that the Board and its Committees perform well.

The Chairman appraised each of the Non-Executive Directors individually using questionnaires as the basis of one-to-one discussions. The Senior Independent Director undertook the evaluation of the Chairman's performance. This evaluation was the subject of discussion at a meeting of the Non-Executive Directors at which the Chairman was not present.

Relations with shareholders

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

Although most shareholder contact is with the Chief Executive Officer and the Chief Financial Officer, supported by management specialising in investor relations, it is the responsibility of the Board as a whole to ensure that a satisfactory channel of communication with shareholders exists. The Board strongly supports a programme of regular ongoing communication with the Company's shareholders. The programme, which is formalised within an investor relations framework, includes presentations of interim and full year results and regular meetings by senior management with the Company's institutional investors. The Group's website 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 Chairman periodically attends investor meetings in order to obtain the views of shareholders and shares these views with all Directors in a timely manner. The Senior Independent Director is also available to meet shareholders on request.

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

Accountability and audit

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

Going concern

The financial statements have been prepared on the going concern basis and, as required by the UK Corporate Governance Code and the Irish Corporate Governance Annex, the Directors report that they have satisfied themselves 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 2014, the medium term plans as set out in the rolling five year plan and have taken into account the cash flow implications of the plans, including proposed capital expenditure, and compared these with the Group's committed borrowing facilities and projected gearing ratios.

The Group's business activities, together with the main trends and factors that are likely to affect the future development, performance and position of the Group are outlined in the Business Review on pages 15 to 27 and the Financial Review on pages 28 to 34. The principal risks and uncertainties facing the Group are identified and described on pages 58 to 60. The financial position of the Group, its cash flows, liquidity position, borrowing facilities and financial risk management are discussed in the Financial Review on pages 28 to 34. In addition, note 23 to the financial statements includes details of the Group's borrowings, financial instruments and its exposures to credit and liquidity risk.

Principal risks and uncertainties

The Group operates in the dynamic global food ingredients and flavours industry and in the consumer food industry primarily in the UK and Ireland. As is the case with competitors, 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, utilising the embedded management processes and the Group's internal control and risk management processes described below.

The Group's diversity in terms of its 130 manufacturing facilities across five continents and 25 countries provides the Group with significant protection against the principal risks and uncertainties it faces.

The Risk Oversight Committee (ROC) supported the Audit Committee during the year. Specifically, the ROC undertook or delegated the responsibility to identify and prioritise significant risks, evaluate the effectiveness of the risk mitigation activities and ensure any gaps in effectiveness were considered for the Group's principal risks. Where necessary, the Audit Committee will convene to deal with any significant control weaknesses reported by internal audit, the Risk Oversight Committee and / or management.

The ROC outlined the risk assessment process and presented the top twenty risks to the Board of Directors.

The below table outlines the key risks faced by the Group during the year.

Risk Name	Risk Description	Measures to Reduce Risk
STRATEGIC RISK		
Global economy	Volatility in the global economy may adversely affect consumer spending which could result in less demand for the Group's products.	Although the Group is unable to influence the general economic conditions, the geographic spread of the business and diverse product portfolio provides a level of mitigation against global economic uncertainty.
Business Acquisition & Divestiture	Failure to identify, execute or properly integrate new acquisitions and/or divestitures could impact the overall financial performance of the Group.	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, restructuring and divestitures.
Product development and innovation	Failing to successfully manage increased market competition, new product innovations, changing market trends and consumers' taste could impact the future growth of our business.	The Group supports customers' drive for choice and market stimulation through new product development. Our commercial team works closely with our customers and consumers to ensure awareness of trends occurring in the market place, both positive and negative.
Sovereign/Political	As a multinational company, our business may be negatively impacted by political decisions, civil unrest or other developments in the countries in which we operate.	While political decisions and civil unrest are outside our control, we monitor these risks and actively manage our investment and borrowings, in consideration of the higher risk in some of the countries in which we operate.

Risk Name	Risk Description	Measures to Reduce Risk
OPERATIONAL RISK		
Raw material cost fluctuations	Fluctuating raw material costs, limited availability of key materials, competition between customers, unusual competitive actions by competitors and the resultant difficulties in adjusting prices appropriately can have a detrimental impact on operating margins.	The Group deploys experienced senior purchasing and commercial managers and subject matter experts in this area to manage and mitigate such risks and adopt strategies over time to manage the positioning of the businesses in this regard. The Group has a global sourcing program with a diverse supplier base with whom long term relationships are maintained. The Group also monitors the economic volatility of suppliers and retains appropriate levels of high risk inventory.
Kerryconnect – Implementation of SAP	Our Kerryconnect programme will establish a common Information Communication and Technology (ICT) approach and integrated systems throughout the Group. Failing to implement the Kerryconnect programme as planned and within budget could have an impact on our financial performance and business operations.	The Kerryconnect programme is a major undertaking and investment by the Group. The Group has a robust governance structure, program management and implementation teams in place led by two Executive Directors of the Group. The program plan allows for a lower risk, phased implementation schedule on a regional basis.
Information, Communication and Technology	Unauthorised access to confidential information, inaccurate data being entered into systems and/or interruption of our main operating activities could negatively impact our business.	The Group's ICT team are focused on supporting the Group's key data systems and have detailed process and access controls in place. In the event of a major system failure, the Group has a robust Disaster Recovery plan in place. All Group systems are subject to both internal and external audit reviews.
Quality and food safety	Poor quality or non-performing products expose the Group to product liability claims, product recall claims and litigation as well as loss of revenue, market share and may negatively impact the Group's reputation.	The Group's manufacturing and supply chain functions operate a well-developed quality management system and have robust policies and procedures in place. Regular supplier audits are carried out to ensure compliance with the Group's quality and procurement standards.
Catastrophic loss/ unforeseen events	The loss of a critical manufacturing facility or shared service centre, through natural catastrophe, fire, act of vandalism or the failure of critical information systems to support our operations could result in a significant impact on the Group. The Group may experience loss of revenue growth momentum due to unforeseen events that impact our brands and our customers' brands.	The spread of the Group's business and experience in numerous territories limits the concentration of these risks and allows mitigation through management actions. Business continuity plans are in place across the Group and are reviewed with management regularly. The Group has relevant insurance policies in place to mitigate and reduce the financial impact to the Group.
Intellectual Property	Kerry develops, manufactures and delivers technology based ingredients, flavours and integrated solutions for the food, beverage and pharmaceutical industry. Any failure to protect the Group's Intellectual Property could have an adverse effect on the Group's business and cash flows.	The Group takes all necessary precautions to protect its trade secrets and also uses patents and trademarks to protect newly developed and existing brands and products in the jurisdictions where the Group's operations are located. The Group's patents and trademarks are the subject of regular review.
Talent management	Failure to attract, retain and develop creative, committed and skilled employees will impact the Group's ability to achieve its strategic objectives.	Every effort is made to ensure optimal procedures and policies are in place to attract, develop and retain the capabilities and skill levels needed to achieve the Group's business objectives. These policies include succession planning, remuneration reviews, long term and short term initiatives and development programmes.

Risk Name	Risk Description	Measures to Reduce Risk
FINANCIAL AND COMPLIANCE RISK		
Financial	*Treasury risks* The Group's operations expose it to liquidity risk, foreign exchange risk, interest rate risk and credit rating risk.	Mitigating controls include: the use of cash flow forecasts to monitor funding requirements of the Group; netting of foreign exchange exposures; the use of spot and forward exchange contracts and currency swaps; and the use of interest rate swaps and forward rate agreements.
	Tax risks Exposure to changes in international and domestic tax legislation with respect to global tax compliance. Failure to accumulate and consider relevant tax information may result in non-compliance with constantly evolving tax legislation.	The Group's Tax Function manages a strong internal compliance control programme and engages extensively with external advisors to monitor and review these controls. The Group also places strong emphasis on proactively engaging with Revenue Authorities in key tax jurisdictions.
	Post retirement pension scheme risk Fluctuations in the assumption factors used for the valuation of the liabilities of defined benefit schemes can result in a significant impact on the schemes' liabilities.	The Group's defined benefit pension scheme is now closed to new entrants. For the existing liabilities, external advisors and pension fund trustees are engaged to consider the deficit and the fund performance and the potential impact of the assumptions on the schemes' liabilities.
Eurozone	In light of the continued economic and financial volatility in the Eurozone, risks relating to the future of the euro currency could impact our business. In the event of a collapse of the euro currency, possible impacts would include severe financial market disruption, interest rate fluctuations, uncertainty surrounding raw material prices and also the need to revert to another presentation currency.	The Group completes regular reviews of the level of assets and liabilities held in both the euro currency and other currencies to ensure an appropriate balance is achieved. Over 90% of the Group's products are sold in the same currency as the currency of manufacture and the remaining net exposure is closely managed.
Fraud	As with any business, there is always a risk of fraudulent activity.	The Group has a strong control framework and a specific anti-fraud program should an issue arise. A set of policies and training materials are available to provide direction and clarity on this area. In addition, there are internal employee disclosure procedures in place to enable employees raise concerns in a confidential manner.
Compliance	Other operational and technical compliance risks include such matters as managing compliance in an ever changing regulatory environment, specifically in the areas of health and safety, emissions and effluent and in relation to the potential outbreak of disease in an animal population or contamination in any particular food category.	The diverse products and raw materials the Group employs in its operations are substantially all natural in make up and where disease or contamination could potentially occur, the Group employs strict quality policies to reduce the level of risk encountered to a minimal level. A Group Health and Safety program is in place across the business. Our Group health and safety officers play a critical role at each facility where they provide safety training and monitor compliance.
	Non-compliance with customer requirements, prescribed organisational policies and procedures, antitrust, competition laws and local regulations could result in regulatory action, legal liability, fines and damage to the Group's reputation.	The Group has a significant investment in its regulatory function across the business to ensure compliance with appropriate regulations and legislations. The Group also operates a central department that monitors changes in regulations applicable to the business. The Group's Code of Conduct and Group policies outline in detail the expectations of all employees working for the Group.

Internal control

The Board of Directors is responsible for the operation and monitoring of the Group's internal control and risk management systems. 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 produced.

The key elements of the system are:

- the Board of Directors reviews and approves a detailed annual budget and the Interim and Annual Consolidated Financial Statements;
- the Board of Directors approves all major strategic decisions. Clearly defined reporting and responsibility structures exist within the Group;
- the Group has a clearly defined Code of Conduct and Global policies and procedures which are issued centrally for all material functions and are approved by the Executive Management and the Risk Oversight Committee;
- the Group operates a centralised treasury function which manages the financial risks of the Group;

- the Group has a clearly defined process and system for managing capital expenditure including the use of appropriate authorisation levels;
- the Group Finance Committee has responsibility for raising finance, reviewing foreign currency risk, making decisions on foreign currency and interest rate hedging and managing the Group's relationship with its finance providers; and
- the Group uses a standardised consolidation system for the preparation of the Group's monthly management accounts, Interim and Annual Consolidated Financial Statements.

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

- the operation of the Audit Committee who approve audit plans, and deal with significant control issues raised by the internal and external auditors;
- the internal audit function continually review the internal controls and systems and make recommendations for improvement and report 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;
- the Group operates a control self-assessment system covering the key controls for the finance and treasury functions of the Group;
- as part of their normal audit procedures, the external auditors test the systems of internal financial 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;
- adherence to the Group Code of Conduct and Group policies published on the Group's intranet, ensures the key controls in the internal control system are complied with; and
- significant variances between the budget and detailed monthly management accounts are investigated by management and remedial action is taken as necessary.

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

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.

AUDIT COMMITTEE REPORT

Committee Membership

In line with Board strategy on Committee refreshment, Mr. Michael Dowling stepped down as Chairman of the Audit Committee on 25 February 2013 and was replaced by Mr. Philip Toomey.

During 2013, the Audit Committee comprised of three independent Non-Executive Directors; Mr. Michael Dowling, Ms. Joan Garahy and was chaired by Mr. Philip Toomey.

The Board has determined that the Audit Committee has recent and relevant financial and commercial experience. Mr. Toomey is a Fellow of the Institute of Chartered Accountants in Ireland and is also an Audit Committee member of UDG Healthcare plc. Ms. Garahy has significant experience of advising on and managing investment funds. Mr. Michael Dowling has a wide range of relevant business experience as a former Secretary General of the Department of Agriculture, Food and Forestry in Ireland. Biographical details of the members are set out on pages 53 to 54.

The Chief Executive Officer, the Chief Financial Officer, the Head of Internal Audit and representatives of the external auditors are regularly invited to attend meetings of the Committee. The Company Secretary is the Secretary of the Committee.

Role, Responsibilities and Terms of Reference

The Committee assists the Board in executing its duties in relation to Financial Reporting, Internal Control, Risk Management and Oversight, and is also responsible for overseeing the Company's relations with the external auditor. The Committee also advises the Board prior to their approval of the Interim and Annual Consolidated Financial Statements, and oversees the operation of the Group's internal audit function.

During the year the Audit Committee Chairman provided a letter to the Board outlining how the Committee discharged their duties during 2013.

The Board of Directors have requested the Audit Committee to provide an opinion on whether the Annual Report, taken as a whole, is fair, balanced and understandable and sufficient information has been provided to Shareholders to assess the Groups performance, business model and strategy.

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

Committee Meetings and Activities 2013

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

Director	Attended	Eligible
Michael Dowling	5	5
Joan Garahy	5	5
Philip Toomey	5	5

The key activities undertaken by the Committee in discharging its duties during 2013 are set out below:

Subject	Committee Activity
Financial Reporting	The Audit Committee reviewed the Interim Management Statements, the Interim and Annual Consolidated Financial Statements and all formal announcements relating to the statements before submitting them to the Board of Directors with a recommendation to approve. These reviews focused on, but were not limited to: – the appropriateness and consistency of accounting policies and practices; – the going concern assumption; – compliance with applicable financial reporting standards, corporate governance requirements and the sufficiency of disclosures; and – whether the Annual Report, taken as a whole, is fair, balanced, understandable and provides the necessary information for shareholders to assess the company's performance, business model and strategy. The areas of significant judgement in the preparation of the financial statements are outlined below: **Carrying value of intangible assets** Intangible assets represent the largest number on the Group balance sheet at €2.4bn. The Committee considered the process used to complete the impairment review of the Group's intangible assets and specifically the assumptions used for the future cash flows, discount rates, perpetuity rates and growth rates. The Committee found that the assumptions used for the review were appropriate following discussions with the external auditor and senior management. **Taxation** A level of judgement is required when arriving at the level of provisioning for uncertain current and deferred tax liabilities. The Committee reviewed the tax provisioning methodology and considered the outcome of the auditor's review of these provisions. As a result, the Committee believes the level of provisioning was appropriate. **Non-Trading Items** There is a non-trading item expense recognised in the current year due to business restructuring and reorganisation. A level of judgement has been exercised by management in assessing if this treatment is in line with Group Accounting Policies. The Committee have reviewed this to ensure that costs are correctly classified and are satisfied with the treatment of this item in the financial statements. The Committee also reviewed the outcome of the external auditor's review of these costs. The Committee were satisfied that the assumptions used by management relating to these items are consistent with Group Accounting Policy. **Retirement benefit obligations** The Group has a number of defined benefit schemes that are in a deficit position. These schemes have been closed to future accrual; however changes in actuarial assumptions can impact the valuation of these obligations. During their review of the financial statements, the Committee considered the assumptions used including discount rates, inflation rates and mortality rates and were satisfied that the methodology employed by the Group and its external advisors were appropriate. The Committee having consulted with senior management and discussed with the external auditor, concluded that these assumptions were appropriate.

Subject	Committee Activity
Internal Control and Risk Management	The Board, through the Audit Committee, completed an assessment of the Group's risk and control framework. The Risk Oversight Committee (ROC) and the Internal Audit function facilitated the Board in this assessment by preparing a consolidated Group risk register and control report for this review. Members of the ROC presented on the significant risk areas facing the Group to the Audit Committee. During the year, the ROC presented the risk assessment process and details of the significant risks to the Board of Directors. In addition the Committee assessed the effectiveness of the internal control framework in accordance with the Turnbull Guidance and received reports from the external auditor on the financial control environment following the statutory audit. The Committee considered reports from the Head of Internal Audit based on the audits completed as part of the internal audit program and the results of the Kerry Control Reporting System. The Committee reviewed the employee disclosure arrangements in place that allow employees to raise any concerns about possible improprieties in financial or other matters. The Committee is satisfied that appropriate actions will be taken in the event a matter arises. Any significant issues have been presented to and considered by the Audit Committee. The Chairman of the Audit Committee, after assessing the information presented by the ROC, provided updates and recommendations to the Board on the Group's risk management activities. The Audit Committee, having assessed the above information, is satisfied that the internal control and risk management frameworks are both operating effectively. The Group's assessment of Principal Risks and Uncertainties is set out on pages 58 to 60.
Internal Audit	The Committee approved the annual internal audit plan, ensuring its alignment with the key risks facing the Group and received regular progress reports from the Head of Internal Audit. When assessing the work carried out by the internal audit function, the Committee considered significant control issues, notable findings and managements' response on reports issued. The Committee also monitor the results of the on-going internal audit feedback survey, the level of resource and the composition of the team. The Committee considered the role of the internal audit function in the context of the Group risk management program and encouraged co-ordination between the internal and external auditors. Following an external review of the function in 2012 it was noted that the internal audit function conforms to the Institute of Internal Auditors (IIA) International Professional Practice Framework (IPPF).
External Audit and Non Audit Services	Deloitte and its predecessor firms have been the Group external auditor since the Company first listed in 1986, the last date the audit was tendered. The Lead Audit Partner rotates at least every five years with the current audit partner due for rotation in 2014. The Audit Committee is committed to tendering the external audit and is reviewing the timeline in conjunction with a number of other significant change programs underway in the Group. The European Union is also expected to provide clarification on its proposals with respect to tendering arrangements and auditor rotation, in the coming months. The Committee will take these proposals into account when determining its tendering arrangements. There are no contractual obligations restricting the Committee's choice of external auditor. The Audit Committee reviewed the external auditor's report on quality control procedures and on the safeguards which they have put in place to ensure their objectivity and independence in accordance with regulatory and professional requirements. The Audit Committee also reviewed and approved the annual external audit plan and considered in detail the findings from the audit of the annual financial statements. During the year, the Committee met with the external auditor without management present to discuss any issues that may have arisen during the audit of the Group's financial statements. The Group's policy is that the independent auditor and its affiliates may be used for non-audit services that are not in conflict with the auditor's independence and where sound commercial reasons exist. This policy was reviewed and approved by the Audit Committee and all non-audit services and fees were approved in accordance with Group policy. The Audit Committee approved the remuneration for the external auditor. Having considered all of the above, the Committee concluded that the Group's external auditor remained independent and that the audit process was effective. As a result, the Committee recommended to the Board that Deloitte continue in office.

Committee Evaluation

In addition to the external review carried out on the performance of the Board and its' Committees detailed on page 57 the Committee conducted a review of its own effectiveness and is satisfied that it has formal and transparent arrangements for considering corporate reporting, risk management, internal control principles and for maintaining an appropriate relationship with the Company's auditor.

NOMINATION COMMITTEE REPORT

Committee Membership

During the year, the Nomination Committee comprised three independent Non-Executive Directors, Mr. Michael Dowling, Mr. James C. Kenny and was chaired by Mr. Denis Buckley.

Role, Responsibilities and Terms of Reference

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

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

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

The Committee's effectiveness is reviewed on an annual basis as part of the Board evaluation process. Further details on this process can be found on page 55.

The Committee is authorised by the Board to obtain independent professional advice and to secure the attendance of advisors with relevant experience and expertise if it considers this necessary. During 2013, the Group used the advice and services of the London office of Heidrick and Struggles who specialise in Executive and Non-Executive board member recruitment services. Heidrick and Struggles have no other connection to the Group.

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

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

- evaluating the balance of skills, experience, independence, knowledge and diversity of the Board to ensure optimum size and composition;
- reviewing the Board Diversity Policy and the setting of measurable objectives for reporting the policy;
- preparation of a written description of the role and capabilities for Board appointments;
- making recommendations to the Board on the appointment and re-appointment of both Executive and Non-Executive Directors;
- making recommendations to the Board concerning membership of Board Committees in consultation with the Chairman of the Committees; and
- succession planning for Directors and senior management positions.

Nomination Process

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

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

GROUP NOMINATION PROCESS

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

Board Refreshment Policy

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

As part of the refreshment policy, six Directors retired at 31 December 2013 and were replaced by three new Directors on 1 January 2014 with an additional Director appointed on 24 February 2014. The overall effect of this was to reduce the Board from 16 to 14.

Diversity Policy

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

The Group has a Diversity and Inclusion policy which forms part of the Code of Conduct. This policy ensures that it:

- has diversity and inclusion embedded in Kerry Group's core value of teamwork;
- recognises that a diverse mix of backgrounds, skills and experiences drives new ideas, products and services and provides us with a sustained competitive advantage;
- recruits, hires and retains the best talent from around the world who are dedicated to achieving excellence for all of our stakeholders;
- seeks to tap the unique talents and potential of every member of our diverse workforce by providing a consistent and fair approach to recruitment and development; and
- believes all employees are entitled to respectful treatment in the workplace – treated honestly and professionally, with their unique talents and perspectives valued.

The Board believes in the benefits of having a diverse Board and the benefits that it can bring to the operation of an effective Board. Differences in background, skills, experiences, nationality and other qualities including gender, are considered in determining the optimum composition of the Board and with the aim to balance it appropriately. The Board aims to have at least two female Board Directors by 2015. All Board appointments are made on merit, with due regard to diversity.

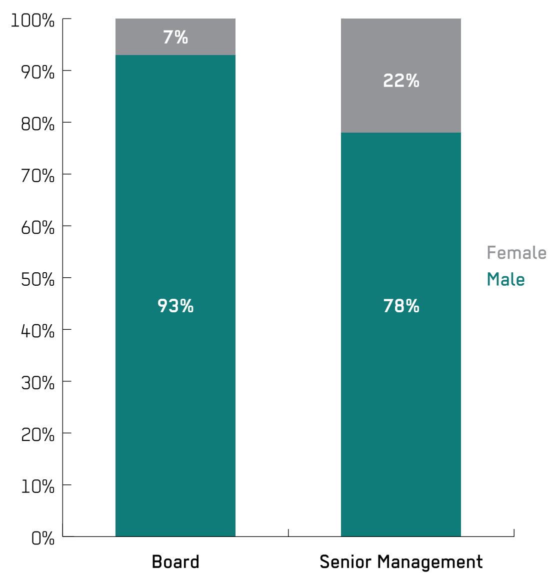
The Nomination Committee, at least annually, reviews and assesses the structure, size, composition and overall balance of the Board and makes recommendations to the Board with regard to any changes required.

In reviewing Board composition and in agreeing on a job specification for new non-executive director appointments, the Committee considers the benefits of all aspects of diversity including, but not limited to, those described above, in order to complement the range and balance of skills, knowledge and experience on the Board.

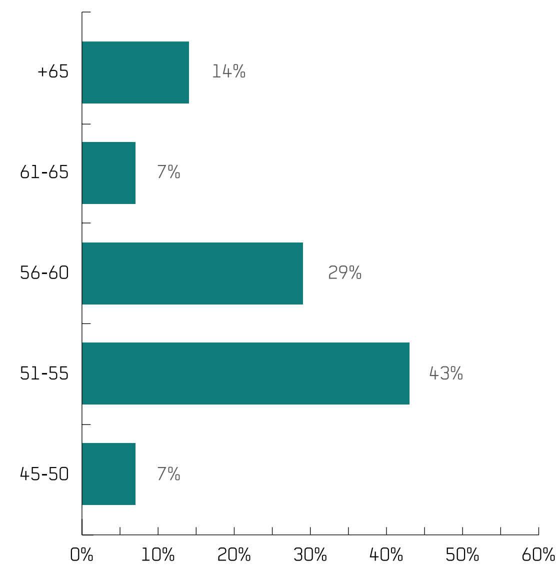
The job specification and requirements are communicated to an international professional search agency who carry out a search on behalf of the Committee. The appointed firm is required to present a list of potential candidates comprising candidates of diverse backgrounds for consideration by the Committee.

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

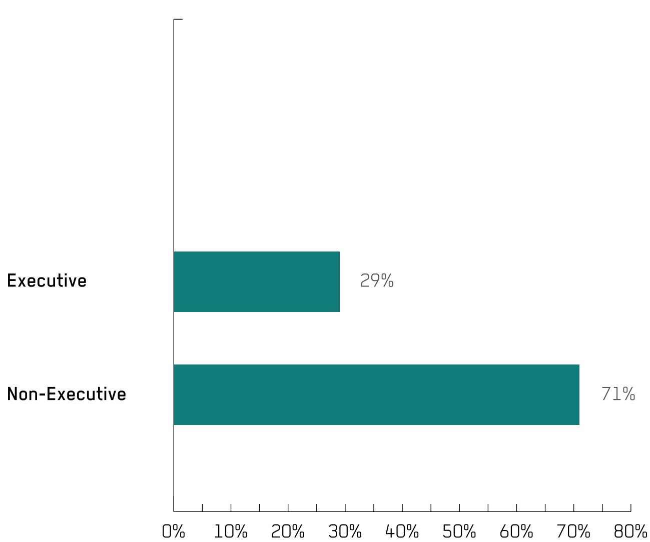
Gender Profile



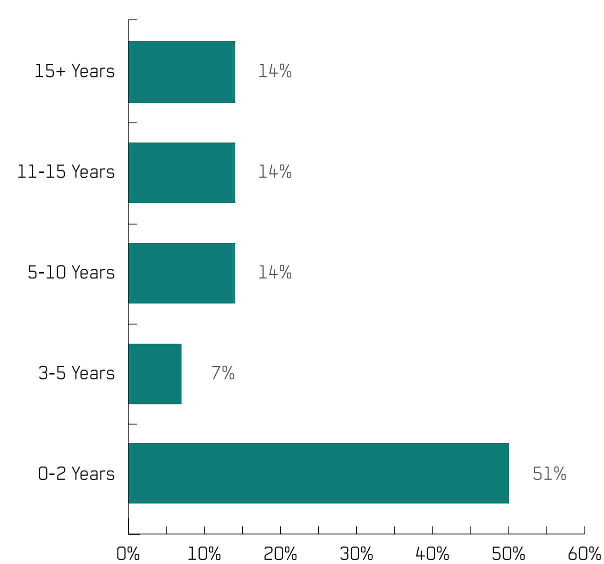
Board Age Profile



Executive/ Non-Executive



Board Tenure



Committee Meetings and Activities 2013

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

Director	Attended	Eligible
Denis Buckley	4	4
Michael Dowling	4	4
James C. Kenny	4	4

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

Subject	Committee Activity
External Evaluation	As outlined in detail on page 57 an external evaluation of the Board and its Committees took place in October 2013. The Committee reviewed the outcomes of this review and identified the areas relevant to the Nomination Committee. Each recommendation was assessed and an evaluation completed to identify areas for potential improvement. An action plan was developed to address these areas and these recommendations will remain on the agenda of the Committee for the coming year.
Committee Terms of Reference	The Committee reviewed its Terms of Reference during the year to ensure the contents remained relevant and appropriate and best reflect the role and responsibilities of the Committee. As a result of this review some amendments were made to the Terms of Reference to include additional information on the Group's Diversity Policy and succession planning across the Group.
Succession planning	During the year the Committee reviewed succession planning and this will remain a key focus area for the Committee in the future and will be reviewed on a regular basis. The reviews undertaken in the current year addressed a number of potential succession occasions which may arise. These included membership of the Board, its Committees and senior management appointments.
Re-appointment of Directors	The Committee recommended to the Board that all Directors subject to and seeking re-election be put forward for re-appointment at the Group's 2014 AGM. In accordance with the Articles of Association, all newly appointed Directors are subject to election by shareholders at the AGM following their appointment. All other Board members are required to subject themselves for re-election by the shareholders on an annual basis. The Board sets out to shareholders, in the papers accompanying the resolutions to elect and re-elect the Non-Executive Directors, why they believe the individual should be re-elected. When proposing re-election, the Chairman confirms to shareholders that following formal performance evaluation the individual's performance continues to be effective and demonstrates commitment to the role.
Appointment of Non-Executive Directors	Mr. Michael Ahern, Mr. James Devane and Mr. John Joseph O'Connor were appointed to the Board on 1 January 2014. Dr. Hugh Brady was appointed to the Board on 24 February 2014. All appointments to the Board were conducted in line with the nomination process contained on page 65. Heidrick and Struggles were used by the Committee for each of these appointments for the purposes of screening as part of their role as advisers to the Committee.
Board Committee Refreshment Policy	As of 1 January 2014 the Board is made up of 14 Directors, comprising four Executive Directors and 10 Non-Executive Directors. Due to the changes effected during the year, the average tenure of the Board currently stands at seven years with 50% of the Board having been appointed in the past two years. The Committee evaluated the tenure of the Directors on an on-going basis during 2013 and felt that the current composition and tenure profile of the Board is appropriate. In relation to the Board Committees, the Committee also considered the tenure of Board members serving on each Committee. With the exception of Mr. Denis Buckley and Mr. Michael Dowling, no Committee member has been a member of their respective committee for more than two years. The Committee monitors the Board Committees on an on-going basis to ensure each committee is appropriately refreshed.

REMUNERATION COMMITTEE REPORT

Dear Shareholder,

I am pleased to present the Directors' Remuneration Report for the year ended 31 December 2013. During 2013 we implemented a number of changes to the remuneration arrangements in place for our Executive Directors and senior management. This was the result of a review which was completed during 2012 and while we are satisfied with the structures initiated during the year, we continue to review the remuneration arrangements to ensure they remain aligned with the Group's strategic objectives. The Committee is dedicated to structuring remuneration to incentivise performance, which is stretching, with remuneration metrics directly aligned with the Group's key performance indicators to deliver value to our shareholders.

2013 Financial Year

2013 saw the Group continue the implementation of the '1 Kerry' programme with the Group investing to achieve long term strategic objectives. This programme requires significant change across the Group and the Committee reviews the remuneration of Executive Directors and senior management to ensure that alignment with the '1 Kerry' strategy is maintained.

The Group again delivered a strong financial performance for the year. Growth in adjusted Earnings Per Share (EPS) for 2013 was 10.2%, with a Total Shareholder Return (TSR) of 27% and Return on Average Capital Employed (ROACE) of 14.2%.

During 2013 the Committee reviewed the remuneration arrangements for the Group's Executive Directors and senior management. The key focus of the review was to ensure that the performance metrics used for the Group's incentive plans remained appropriate and that these reflect the Group's strategic objectives. Developments in the market and 'best-practice' were examined as part of this review. General pay conditions across the Group were also reviewed as part of this exercise.

A number of changes were made to the remuneration arrangements in 2013. The Committee incorporated the metrics outlined above as the performance measures to be used for the Group's new Long Term Incentive Plan which was approved by the Group's shareholders at the annual general meeting in 2013. The Committee considers that these metrics are key metrics which are directly aligned with sustainable long-term earnings growth and the efficient use of shareholder funds. In addition, the Committee believes that these metrics ensure alignment between shareholders' and Directors' interests and that the delivery of these metrics also aligns with the '1 Kerry' programme.

Other changes to the remuneration structures include the introduction of deferral and clawback for both the short and long term performance related incentives. Share ownership requirements levels were increased during 2013 from 90%-100% to 180%-200% of basic salary. The Committee is of the belief that the changes implemented are positive changes from a shareholder perspective as they further reinforce the link between the interests of the Directors and those of the shareholders.

As a number of changes were implemented in 2013 which we believe improve the Group's remuneration structures, no major changes have been made to the Group's remuneration policy for 2014.

The Committee is intent on providing transparency and continues to monitor 'best-practice' developments for remuneration policy and reporting. Although Kerry Group is not subject to the UK company law requirements on remuneration reporting, the Committee is of the opinion that recent amendments to these requirements will aid in providing additional clarity to shareholders on executive remuneration. As such this year's report has been completed with these requirements in mind.

Yours sincerely

Joan Garahy

Chairperson, Remuneration Committee

REMUNERATION COMMITTEE

Remuneration Committee Membership

During the year, the Remuneration Committee comprised three independent Non-Executive Directors; Mr. James C. Kenny, Mr. Denis Buckley and was chaired by Ms. Joan Garahy. Details of the skills and experience of the Directors are contained in the Directors' biographies on pages 53 to 54.

Role of the Remuneration Committee

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

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

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

Key Responsibilities:

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

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

Committee Meetings and Activities 2013

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

Director	Attended	Eligible
Denis Buckley	5	5
Joan Garahy	5	5
James C. Kenny	4	5

The key activities undertaken by the Committee in discharging its duties during 2013 are set out below:

Subject	Committee Activity
Remuneration Report	The Committee completed a review of best practice remuneration reporting during the year. This review involved an assessment of the content of the report to ensure compliance with relevant legislation and reporting requirements while also ensuring the delivery of a report which is transparent and understandable for all shareholders. As part of this review the Committee considered recent amendments to reporting requirements in the United Kingdom. Although these amended requirements are not applicable to the Group, the Committee felt the amendments will aid in providing additional clarity for shareholders to assess the remuneration paid to the Group's Executive Directors.
Basic Salary	The Committee completed a review of the basic salaries of both Executive Directors and senior management during 2013 to ensure basic salary is reflective of roles and responsibilities and also to ensure alignment with any amendments to basic salaries for the greater employee population within the Group. Following this review, the Committee has made the decision not to change the basic salary levels for Executive Directors and senior management apart from an adjustment to reflect annual inflation.

Subject	Committee Activity
Short Term Incentive Plan (STIP)	The STIP was amended for 2013 with the introduction of deferral into the bonus arrangements for the year. Clawback arrangements were also put in place for short term incentives. The Committee performed a review of the STIP during the year to ensure the plan remains effective and that alignment with shareholder interests is maintained. The Committee also reviewed the outcome of the Short Term Incentive Plan in the year to ensure the targets set were stretching in nature. With an average outcome of 75% achieved during 2013, the Committee felt that the performance targets remain stretching and that the metrics used ensure alignment with shareholder interests.
Long Term Incentive Plan (LTIP)	The 2013 LTIP was approved in May 2013 by the Group's shareholders as part of the Group's Annual General Meeting. This scheme was recommended by the Committee following a holistic remuneration review which took place in 2012. The first conditional awards were issued under this scheme in 2013. The Committee reviewed the overall effectiveness of the scheme during 2013 to ensure it is structured appropriately to incentivise Executive Directors and senior management across the Group. A review of the performance metrics used for the long term incentive plan was also undertaken during the year to ensure they remain appropriate to maintain alignment with the interests of Directors and shareholders. As part of this review the performance metrics used by other companies in our peer group were taken into consideration and the Committee also reviewed the metrics to ensure they were consistent with overall Group strategy. The Committee considered all the performance metrics individually and collectively and made the decision to retain the existing performance metrics and calibration for 2014.
Shareholder consultation	As part of the review of the overall remuneration arrangements during the year the Committee interacted with the Group's major shareholders for feedback on the structure of executive remuneration. These meetings proved to be very constructive meetings with shareholders communicating any concerns they had to the Committee. All the shareholders who participated in these meetings felt that the changes initiated in remuneration for the 2013 financial year were positive. This was evidenced by a 97% vote in favour of the advisory vote on the Directors' Remuneration Report at the 2013 AGM.
Committee Performance Review	During 2013 the Committee also completed a review of its own performance. Specifically the Committee evaluated the operation of the remuneration structure changes effected in 2013. An assessment of the level of interaction with shareholders in the year under review was also completed to ensure the Committee was effective in discharging its responsibilities. In addition, an external evaluation of the Board and its Committees took place in October 2013 as described on page 57. The Committee considered the recommendations from this review, specifically the items relating to the Remuneration Committee and have agreed to adopt these recommendations going forward.

Remuneration Committee Advisors

The Remuneration Committee is authorised by the Board to appoint external advisors. Towers Watson has been appointed as the advisor to the Remuneration Committee. Towers Watson has no other material connection to the Group. The fees paid to Towers Watson for advising the Committee in 2013 were €79,000.

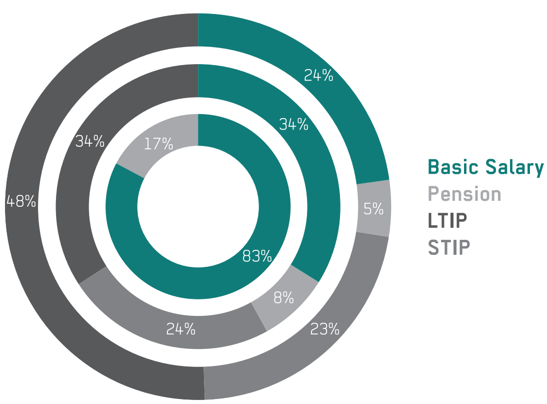
REMUNERATION POLICY

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

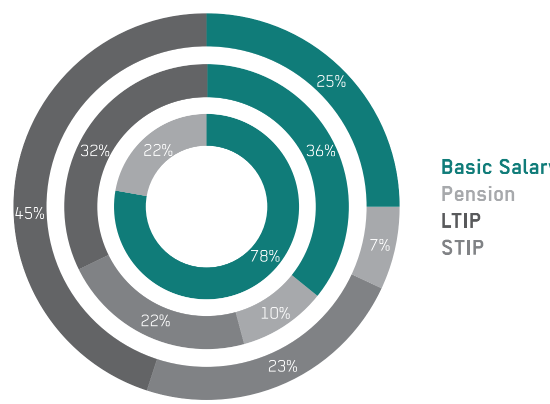
The Committee also considers the level of pay in terms of the balance between the fixed and variable elements of remuneration. Fixed elements of remuneration are defined as basic salary and pension benefits with the variable elements being performance related incentives with both short and long term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

A high proportion of Executive Directors' potential remuneration is based on short term and long term performance related incentive programmes. By incorporating these elements, the Remuneration Committee believes that the interest and risk appetite of the Executive Directors is properly aligned with the interests of the shareholders and other stakeholders. The Committee retains discretion, in line with market practice, to amend the performance conditions and other administrative aspects of these plans. The following diagram shows the minimum, target and maximum composition balance between the fixed and variable remuneration components for each Executive Director. The inner most circle represents the minimum potential scenario for remuneration with the middle circle representing target and the outer circle representing maximum potential.

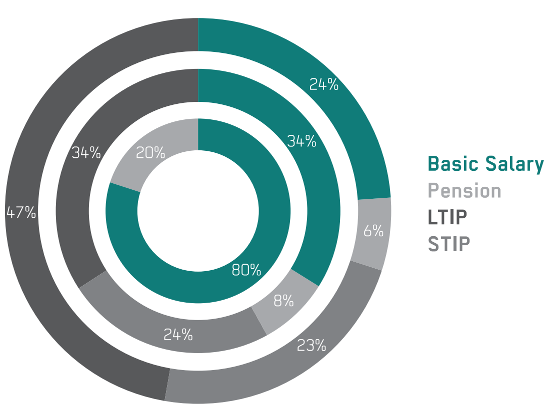
Stan McCarthy



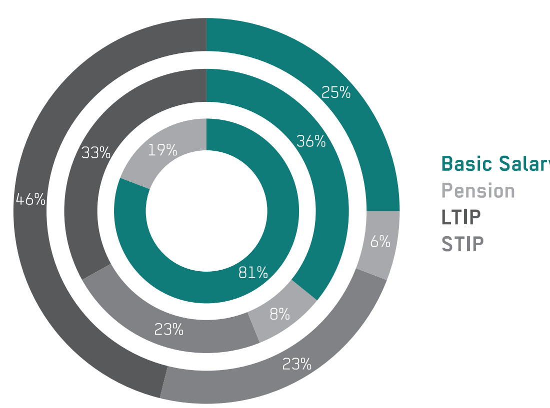
Brian Mehigan



Gerry Behan



Flor Healy



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

Purpose	Operation	Opportunity	Performance metrics	Changes and comments
Basic Salary				
Reflects the value of the individual, their skills and experience	– This is referenced to job responsibility and internal/external market data.	N/A	N/A	– No change to basic salaries for 2014 with the exception of inflation adjustments.
Short Term Performance Related Incentives				
Incentivise achievement of key performance metrics on an annual basis	– Achievement of pre-determined earnings growth and other performance targets set by the Remuneration Committee. – 75% of the award payable in cash. – 25% awarded by way of ordinary shares/options to be issued 2 years after vesting following a deferral period. – Clawback provision in place for awards under the short term incentive scheme.	– Maximum opportunity 90% - 100% of basic salary. – 70% of opportunity for on-target performance.	– Adjusted Earnings Per Share. – Business Operating Profit. – Business Operating Cash Flow.	– Incentive updated in 2013 to incorporate part payment in shares, deferral and clawback. – No changes for 2014.
Long Term Performance Related Incentives				
Retention of key management and incentivisation of sustained performance against key metrics over a longer period of time	– The awards vest depending on a number of separate performance metrics being met over a three year performance period. – Conditional awards over shares or share options in the Group. – 50% of the award delivered at vesting date. – 50% of the award issued following a 2 year deferral period. – Clawback provision in place for awards under the LTIP.	– Maximum opportunity 180% - 200% of basic salary. – 50% of opportunity for on-target performance.	– Adjusted Earnings Per Share. – Total Shareholder Return. – Return on Average Capital Employed.	– New LTIP plan approved by shareholders in 2013 to incorporate deferral period, additional performance metric and clawback provision as well as an increase of participation opportunity. – No change for 2014.
Pension				
To provide competitive retirement benefits	– Executive Directors participate in the Group's pension schemes for the wider employee population in the country of their residence. – Irish resident Directors receive a contribution to an after tax savings scheme.	N/A	N/A	– No change for 2014.
Benefits				
To provide a competitive benefit package aligned with role and responsibilities of Directors	– These benefits primarily relate to the use of a company car or a car allowance.	N/A	N/A	– No change for 2014.
Shareholding Requirement				
Maintain alignment of the interests of the shareholders and the Executive Directors and commitment over the long term	– Executive Directors are expected to build and to hold shares in the Company to a level not less than 180%-200% of their basic salary over a pre-defined period of time.	N/A	N/A	– Shareholding threshold was increased in 2013 from 90%-100% to 180%- 200% of basic salary. – No change for 2014.

1. BASIC SALARY

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

2. SHORT TERM 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 Committee. The performance related incentive awards are designed to incentivise the achievement of short term goals beneficial to the Group and aligned with the delivery of the Group's strategy. This ensures alignment with the interests of the Group's shareholders. The structure of the scheme is reviewed regularly to ensure that it develops in line with the Group's strategic goals.

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

The targets set for 2013 were a combination of a number of key performance metrics:

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

These are considered to be key metrics specific to the Group as they align with Group objectives while also ensuring the long term operational and financial stability of the Group. Adjusted EPS growth was chosen as a key performance metric as it encompasses all the components of growth that are important to all the Group's stakeholders. Business Operating Profit and Business Operating Cash Flow reflect the operational performance of the business incorporating key metrics of sales growth, margin improvement and cash flow delivery. The maximum annual award which could have been achieved by Executive Directors for 2013 was between 90% and 100% of basic salary.

3. LONG TERM PERFORMANCE RELATED INCENTIVES

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

2006 LTIP scheme

Conditional awards were made in 2006, 2009 and 2010 and these awards partially vested in 2009, 2012 and 2013. Conditional awards have been made in 2011, 2012 and 2013 and these will potentially vest or partially vest three years after each award date if the predetermined performance targets are achieved. The maximum award that can be made to an individual under the LTIP over a 12 month period is equivalent to 90% - 100% of basic annual salary. No further conditional awards will be issued under the 2006 LTIP scheme after 2013.

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

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

The proportion of each conditional award which vests will depend on the adjusted Earnings Per Share (EPS) and Total Shareholder Return (TSR) performance of the Group during the relevant three year performance period.

EPS performance test

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

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

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

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

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

TSR performance test

The remaining 50% of the award vests according to the Group's TSR performance over the period measured against the TSR performance of a peer group of listed companies over the same 3 year performance period. The peer group consists of Kerry and the following companies:

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

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

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

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

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

2013 LTIP scheme

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

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

50% of shares/share options which potentially vest under the scheme are issued immediately upon vesting. The remaining 50% of the award is issued to participants following a 2 year deferral period.

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

The proportion of each conditional award which vests will depend on the adjusted Earnings Per Share (EPS), Total Shareholder Return (TSR) and Return on Average Capital Employed (ROACE) performance of the Group during the relevant three year performance period.

EPS performance test

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

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

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

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

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

TSR performance test

30% of the award vests according to the Group's TSR performance over the period measured against the TSR performance of a peer group of listed companies over the same 3 year performance period. The peer group consists of Kerry and the following companies:

Aryzta	Givaudan	Kellogg	Sensient Technologies
Associated British Foods	Glanbia	McCormick & Co.	Symrise
Barry Callabeaut	Greencore	Nestle	Tate & Lyle
Corbion	Group Danone SA	Novozymes	Unilever
General Mills	IFF	Premier Foods	

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

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

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

Return on Average Capital Employed performance test

20% of the award vests according to the Group's Return on Average Capital Employed (ROACE) over the performance period. ROACE was introduced as a performance metric for the 2013 LTIP scheme. ROACE represents a good perspective on the Group's internal rate of return and financial added value for shareholders.

This measurement will be determined by reference to the Return on Average Capital Employed in each of the three financial years included in the performance period:

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

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

4. PENSIONS AND OTHER BENEFITS

The Executive Directors participate in the Group's pension schemes for the wider employee population in the country of their residence. A review of pension provisions for the Executive Directors impacted by the lifetime earnings cap in Ireland began during 2011 and was concluded during 2012. The Irish resident Directors have thus been offered a contribution (on a cost neutral basis to the Company) to an after tax savings scheme as an option. Both Directors affected have taken up this option.

Other benefits relate primarily to the use of a company car/car allowance.

Shareholding requirement

Share ownership is a key component of the Group's Remuneration Policy as it helps maintain an alignment of the interests of the shareholders and the Executive Directors. To help maintain commitment over the long term, Executive Directors are expected to build and to hold shares in the Company to a level not less than 180% - 200% of their basic salary over a pre-defined period of time.

Service contracts

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

Dilution

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

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. Periodically (normally on a 3 year cycle), the Chairperson of the Remuneration Committee will review Non-Executive Directors' fees, consult with the Committee and present any recommendations to the full Board for approval. Non-Executive Directors do not participate in the Group's incentive plans, pension arrangements or other elements of remuneration provided to the Executive Directors.

2013 DIRECTORS' REMUNERATION

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

Executive Director's remuneration

	Basic Salaries		Benefits-in-kind		Pensions		Performance Related[3]		LTIP[4]		Total	
	2013 €'000	2012 €'000	2013 €'000	2012 €'000	2013 €'000	2012 €'000	2013 €'000	2012 €'000	2013 €'000	2012 €'000	2013 €'000	2012 €'000
Stan McCarthy[1]	**969**	979	**64**	65	**200**	263	**683**	722	**1,676**	1,509	**3,592**	3,538
Brian Mehigan[2]	**502**	492	**28**	22	**141**	139	**319**	327	**811**	771	**1,801**	1,751
Flor Healy[2]	**536**	525	**13**	13	**124**	118	**364**	202	**878**	838	**1,915**	1,696
Gerry Behan[1]	**602**	605	**35**	38	**146**	170	**512**	522	**833**	838	**2,128**	2,173
	2,609	2,601	**140**	138	**611**	690	**1,878**	1,773	**4,198**	3,956	**9,436**	9,158

Note 1: Reported numbers are impacted by the US dollar to euro exchange rate. Basic salaries for Stan McCarthy and Gerry Behan for 2013 were **$1,278.6k** (2012: $1,253.1k) and **$794.4k** (2012: $774.4k) respectively. Total remuneration for Stan McCarthy and Gerry Behan for 2013 amounted to **$4,741.5k** (2012: $4,528.4k) and **$2,808.7k** (2012: $2,781.8k) respectively.
Note 2: The pension figures outlined above for both Stan McCarthy and Gerry Behan include both defined benefit and defined contribution retirement benefits, while for Stan McCarthy retiree medical benefits are also included in this figure. The Irish Finance Act 2011 established a cap on pension provision by introducing a penal tax charge on any benefits exceeding €2.3m in value. In response to this the Remuneration Committee decided to offer Executive Directors who are members of the Irish pension scheme the option to have contributions made to a savings plan in lieu of further pension accrual, on an overall cost neutral basis to the Company. Both Brian Mehigan and Flor Healy have opted for the alternative savings plan and the figures included above reflect this.
Note 3: This represents 75% delivered in cash with 25% delivered by way of shares/options which are deferred for 2 years.
Note 4: The share price used to calculate the value of the LTIP is the average share price for the 3 months up to the end of the year being reported.

Basic salary increases

The Remuneration Committee decided to increase basic salaries in 2013 by a nominal 2.2% on average (in local currency) in line with inflation. The Group's Chief Executive Officer received an increase of 2.0% in basic salary in 2013 with the weighted average increase for all Group employees in 2013 being approximately 3.1%.

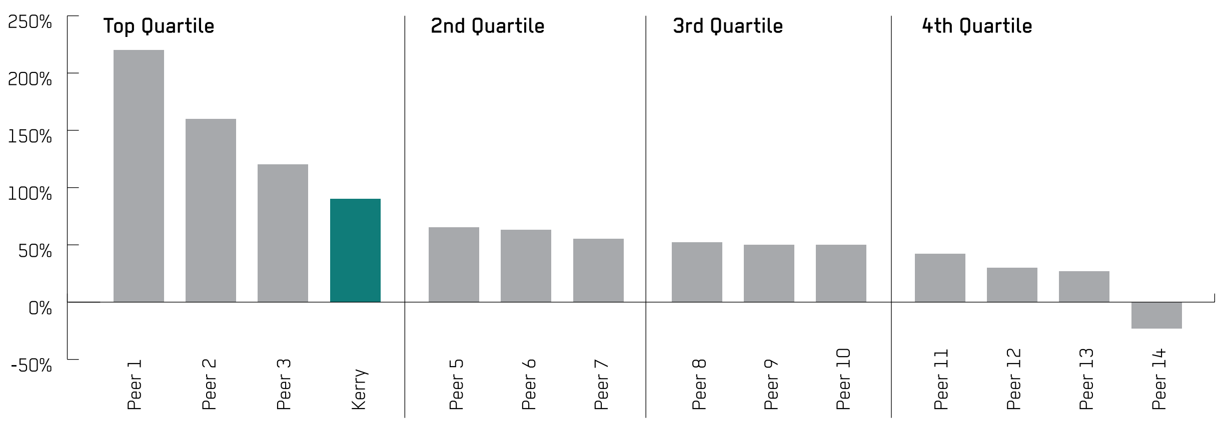
Annual bonus outcomes

For 2013, the Group adjusted EPS target was set at 10% annual growth in excess of the 2012 adjusted EPS with the Group realising 10.2% growth for the year. As Business Operating Profit and Business Operating Cash Flows are internal metrics, the results of these metrics are not disclosed. For 2013 Kerry achieved performance slightly above the payout target set by the Remuneration Committee leading to annual bonus payouts to Executive Directors of on average 75% of the maximum opportunity.

LTIP outcomes

The performance graph below shows Kerry's TSR compared to the peer companies over the three year performance period from 1 January 2011 to 31 December 2013 for the LTIP awards which were issued in March 2011. These awards have a vesting date on or before 30 June 2014.

3 year TSR: Kerry and Comparator Jan 2011 - 31 Dec 2013



See chart on page 81, which illustrates the Group's TSR performance from 2008 to 2013.

The outcome of the measurement of the adjusted EPS condition in relation to the 2011 awards was that the CPI plus 22.5% condition was exceeded.

Overall outcome of the LTIP for 2013

Long Term Incentive Plan	TSR Performance (50% of award)	Actual vesting of TSR award	EPS Performance (50% of award)	Actual vesting of EPS award	Total % vested
2011	77th percentile	100%	32.6% growth	100%	100%

Non-Executive Directors' remuneration

	Fees 2013 €	Fees 2012 €
Kieran Breen	38,000	38,000
Denis Buckley	209,000	209,000
Sean Bugler	38,000	3,167
Denis Carroll	38,000	54,000
Michael Dowling	97,500	110,000
Patrick G. Flahive	38,000	38,000
Joan Garahy	88,000	82,167
Noel Greene	-	34,833
James C. Kenny	92,000	88,667
Gerard O'Hanlon	38,000	38,000
Michael Teahan	38,000	38,000
Philip Toomey	90,500	73,833
Denis Wallis	38,000	54,000
	843,000	861,667

Non-Executive Directors' remuneration consists of fees only. The total remuneration for all Directors in 2013 amounted to **€6,081,000** (2012: €6,063,667).

The following table shows the Executive Directors' and Company Secretary's interests under the LTIP. Conditional awards at 1 January 2013 relate to awards made in 2010, 2011 and 2012 which have a three year performance period. The 2010 awards vested in 2013. The 2011 and 2012 awards will potentially vest in 2014 and 2015 respectively. The market price of the shares on the date of each award is disclosed in note 28 to the financial statements.

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

		Conditional Awards at 1 January 2013	Share Awards vested during the year	Share Option Awards vested during the year	Conditional Awards made during the year	Conditional Awards at 31 December 2013	Share price at date of conditional award made during year
Directors							
Stan McCarthy	- 2006 LTIP	101,836	37,674	-	20,527	84,689	€46.49
	- 2013 LTIP	-	-	-	22,725	22,725	€43.28
Brian Mehigan	- 2006 LTIP	49,822	-	19,256	9,722	40,288	€46.49
	- 2013 LTIP	-	-	-	10,442	10,442	€43.28
Flor Healy	- 2006 LTIP	53,806	-	20,930	10,368	43,244	€46.49
	- 2013 LTIP	-	-	-	11,136	11,136	€43.28
Gerry Behan	- 2006 LTIP	56,274	20,930	-	12,753	48,097	€46.49
	- 2013 LTIP	-	-	-	14,119	14,119	€43.28
Company Secretary							
Brian Durran	- 2006 LTIP	15,834	-	6,047	3,112	12,899	€46.49
	- 2013 LTIP	-	-	-	1,735	1,735	€43.28

Conditional awards made in 2013 have a three year performance period and will potentially vest on or before 30 April 2016.

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

	Share Options outstanding at 1 January 2013	Share Options exersised during the year	Share Options vested during the year	Share Options Outstanding at 31 December 2013	Exercise price per share
Directors					
Brian Mehigan	32,736	-	19,256	51,992	€0.125
Flor Healy	35,200	-	20,930	56,130	€0.125
Company Secretary					
Brian Durran	8,230	-	6,047	14,277	€0.125

Share options which vested in 2009 under the LTIP are exercisable up to 2016. Share options which vested in 2012 and 2013 under the LTIP are exercised up to 2019 and 2020 respectively.

Employee Scheme Dilution

The current dilution level incorporating all shares/options which have vested under Group schemes since 2003 and assuming 100% vesting of all outstanding conditional awards is 2%.

Directors' Pensions

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

	Accrued benefits on leaving service at end of year		
	Increase during year (excluding inflation) €'000	Accumulated total at end of year €'000	Transfer value of increase in accumulated accrued benefits €'000
Stan McCarthy	**17**	**700**	**94**
Brian Mehigan[1]	**3**	**219**	**58**
Flor Healy[1]	**4**	**244**	**62**
Gerry Behan	**12**	**297**	**6**
2013	**36**	**1,460**	**220**
2012	68	1,464	666

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

Payments to former Directors

There were no payments made to former Directors in 2013 (2012: €nil).

Directors' and Company Secretary's interests

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

The interests of the Directors and Company Secretary of the Company and their spouses and minor children in the share capital of the Company, all of which were beneficial, were as follows:

	31 December 2013 Ordinary Shares Number	31 December 2013 Share Options Number	31 December 2013 Total Number	1 January 2013 Ordinary Shares Number	1 January 2013 Share Options Number	1 January 2013 Total Number
Directors						
Michael Ahern	3,241	-	3,241	-	-	-
Gerry Behan	41,043	-	41,043	25,913	-	25,913
Hugh Brady	-	-	-	-	-	-
Denis Buckley	183,696	-	183,696	178,592	-	178,592
Sean Bugler	4,879	-	4,879	3,307	-	3,307
James Devane	4,994	-	4,994	-	-	-
Michael Dowling	4,200	-	4,200	4,200	-	4,200
Joan Garahy	1,050	-	1,050	-	-	-
Flor Healy	58,210	56,130	114,340	53,994	35,200	89,194
James C. Kenny	-	-	-	-	-	-
Stan McCarthy	115,015	-	115,015	84,841	-	84,841
Brian Mehigan	40,334	51,992	92,326	40,334	32,736	73,070
John Joseph O'Connor	21,932	-	21,932	-	-	-
Philip Toomey	-	-	-	-	-	-
Company Secretary						
Brian Durran	13,000	14,277	27,277	13,000	8,230	21,230

Shareholding guidelines

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

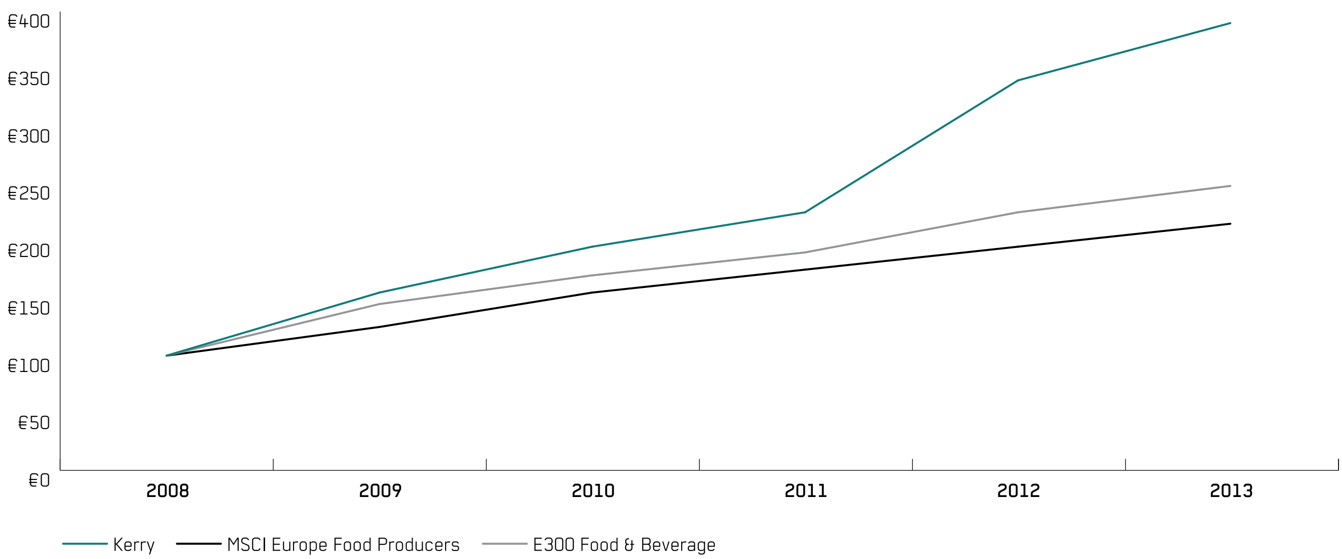
	As a multiple of basic salary
Stan McCarthy	6x
Brian Mehigan	9x
Flor Healy	10x
Gerry Behan	3x

Note: The share price used to calculate the above is the share price as at 31 December 2013.

Total Shareholder Return performance and Chief Executive Office remuneration

The graph below illustrates the total shareholder return performance of the Group over the past 5 years showing the increase in value of €100 invested in Kerry Group shares from 31 December 2008 to 31 December 2013. Also outlined below is the remuneration of the Chief Executive Officer calculated in line with the methodology captured under recent legislation which was enacted for UK incorporated companies.

5 Year Total Shareholder Return (Value of €100 invested on 31/12/2008)



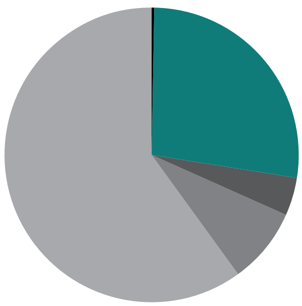
Chief Executive Officer	2009	2010	2011	2012	2013
Total remuneration	1,751	2,116	3,283	3,538	3,592
Annual bonus achieved as a % of maximum	57%	90%	73%	74%	70%
LTIP achieved as a % of maximum	N/A[1]	N/A[1]	100%	100%	100%

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

Relative importance of spend on pay

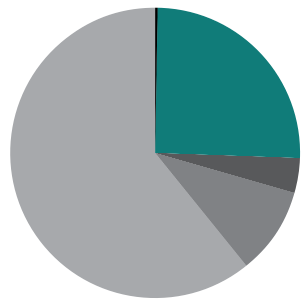
The total amount spent on Executive Director remuneration and overall employee pay is outlined below in relation to retained profit, dividends paid and taxation paid.

2013



- Director Remuneration (0.3%)
- Profit after tax before NTIs (27.4%)
- Dividends paid (4.1%)
- Taxation paid (8.2%)
- Employee costs (60.0%)

2012



- Director Remuneration (0.3%)
- Profit after tax before NTIs (25.5%)
- Dividends paid (3.7%)
- Taxation paid (9.8%)
- Employee costs (60.7%)

Statement on shareholder voting

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

	Votes For	Votes Against	Votes Withheld
Approve the Directors' Remuneration Report	**95,794,172**	**2,582,436**	**41,742**
	97.4%	*2.6%*	*0.0%*
Adoption of the 2013 LTIP	**95,458,077**	**2,917,886**	**42,387**
	97.0%	*3.0%*	*0.0%*

Subsidiaries

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

Auditors

The auditors, Deloitte & Touche, Chartered Accountants and Statutory Audit Firm, 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 25 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 2013.

Signed on behalf of the Board:

Denis Buckley
Chairman
24 February 2014

Stan McCarthy
Chief Executive Officer

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KERRY GROUP PLC

OPINION ON FINANCIAL STATEMENTS

In our opinion:

- the Group financial statements give a true and fair view, in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, of the state of the Group's affairs as at 31 December 2013 and of its profit for the year then ended;

- the parent company financial statements give a true and fair view, in accordance with IFRSs, as adopted by the European Union as applied in accordance with the provisions of the Companies Acts, 1963 to 2013, of the state of the parent company's affairs as at 31 December 2013; and

- the financial statements have been properly prepared in accordance with the Companies Acts, 1963 to 2013 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

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

GOING CONCERN

As required by the Listing Rules we have reviewed the directors' statement contained within the Directors' Report on page 58 that the Group is a going concern. We confirm that:

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

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

OUR ASSESSMENT OF RISKS OF MATERIAL MISSTATEMENT

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

Risk of material misstatement	Our audit response to the risk
Goodwill & indefinite life intangible assets Risk related to the assessment of the carrying value of goodwill and indefinite life intangible assets.	We examined the processes and model used by management to assess for impairment and challenged management's assumptions used within the model. Specifically, we reviewed the discount rates, growth rates, cashflow projections and perpetuity and sensitivities used in making the assessment.
Taxation provisions Risk related to the recognition and measurement of uncertain provisions for current and deferred taxation.	We reviewed management's processes and policies, and challenged the appropriateness of management's assumptions and estimates, in respect of open tax audits and other tax exposures, based on their interpretation of the relevant tax laws and likely outcomes in jurisdictions where the Group has significant trading operations.

Risk of material misstatement	Our audit response to the risk
Non-trading Items Risk related to the classification and disclosure of non-trading items.	We reviewed management's processes and policies for identifying and disclosing non-trading items. We tested non-trading items for compliance with the Group's accounting policies.
Retirement Benefit Obligations Risk related to the recognition and measurement of net pension and other retirement benefit obligations.	We challenged the appropriateness of key assumptions and sensitivities, including discount rates, inflation rates and mortality assumptions, used in determining net retirement benefit obligations. Our greatest focus was on obligations in Ireland, the UK and North America.

Our audit procedures relating to these matters were designed in the context of our audit of the financial statements as a whole, and not to express an opinion on individual accounts or disclosures. Our opinion on the financial statements is not modified with respect to any of the risks described above, and we do not express an opinion on these individual matters.

OUR ASSESSMENT OF MATERIALITY

We define materiality as the magnitude of misstatement that makes it probable that the economic decisions of a reasonably knowledgeable person relying on the financial statements, would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

We determined materiality for the Group to be €39m, which is approximately 7% of adjusted earnings before taxation, and below 2% of consolidated Shareholders' equity. We use adjusted earnings before taxation to exclude the effect of volatility (for example, separately disclosed adjusting items) from our determination.

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

AN OVERVIEW OF THE SCOPE OF OUR AUDIT

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risks of material misstatement at the Group level. Based on that assessment, we focused our Group audit scope primarily on the audit work in twenty four countries, eleven of these countries were subject to a full audit, whilst the remaining thirteen countries were subject to specified audit procedures, where the extent of our testing was based on our assessment of the risks of material misstatement and of the materiality of the Group's operations at those locations. These twenty four countries represent the principal business units and account for over 90% of the Group's revenue and total assets. They were also selected to provide an appropriate basis for undertaking audit work to address the risks of material misstatement identified above. Our audit work at the twenty four locations was executed at levels of materiality applicable to each individual entity which were lower than group materiality.

At the parent entity level we also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information of the remaining components not subject to audit or audit of specified account balances.

In addition to the Group audit procedures, audits are performed for local statutory purposes in 30 countries.

As part of the group audit, the group engagement team issued instructions to all component audit teams, evaluated the outputs from each audit location and visited a number of international sites.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY THE COMPANIES ACTS, 1963 TO 2013

- We have obtained all the information and explanations which we consider necessary for the purposes of our audit;
- In our opinion proper books of account have been kept by the parent company;
- The parent company balance sheet is in agreement with the books of account;
- In our opinion the information given in the Report of the Directors is consistent with the financial statements and the description in the Corporate Governance Statement of the main features of the internal control and risk management systems in relation to the process for preparing the Group financial statements is consistent with the Group financial statements; and
- The net assets of the parent company, as stated in the parent company balance sheet are more than half of the amount of its called up share capital and, in our opinion, on that basis there did not exist at 31 December 2013 a financial situation which under Section 40 (1) of the Companies (Amendment) Act, 1983 would require the convening of an extraordinary general meeting of the parent company.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

Directors' remuneration and transactions

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

Corporate Governance Statement

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

Our duty to read other information in the Annual Report

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

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

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

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

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

This report is made solely to the company's members, as a body, in accordance with section 193 of the Companies Act 1990. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

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

Kevin Sheehan

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

24 February 2014

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2013

	Notes	Before Non-Trading Items 2013 €'m	Non-Trading Items 2013 €'m	Total 2013 €'m	Before Non-Trading Items 2012 (Restated)* €'m	Non-Trading Items 2012 €'m	Total 2012 (Restated)* €'m
Continuing operations							
Revenue	2	**5,836.7**	**–**	**5,836.7**	5,848.3	–	5,848.3
Trading profit	2/3	**611.4**	**–**	**611.4**	559.0	–	559.0
Intangible asset amortisation	12	**(28.1)**	**–**	**(28.1)**	(23.4)	–	(23.4)
Acquisition integration and restructuring costs	5	**–**	**(225.0)**	**(225.0)**	–	(120.2)	(120.2)
Impairment of assets held for sale	5	**–**	**(113.1)**	**(113.1)**	–	–	–
Loss on disposal of businesses and non-current assets	5	**–**	**(55.7)**	**(55.7)**	–	(37.8)	(37.8)
Operating profit	3	**583.3**	**(393.8)**	**189.5**	535.6	(158.0)	377.6
Finance income	6	**1.2**	**–**	**1.2**	1.1	–	1.1
Finance costs	6	**(68.8)**	**–**	**(68.8)**	(63.2)	–	(63.2)
Profit before taxation		**515.7**	**(393.8)**	**121.9**	473.5	(158.0)	315.5
Income taxes	7	**(79.1)**	**41.6**	**(37.5)**	(77.3)	22.5	(54.8)
Profit after taxation and attributable to owners of the parent		**436.6**	**(352.2)**	**84.4**	396.2	(135.5)	260.7
Earnings per A ordinary share				**Cent**			Cent
— basic	9			**48.0**			148.4
— diluted	9			**48.0**			148.3

* IAS 19 (2011) 'Employee Benefits' has been adopted as required by IFRS in 2013. The comparatives for the year ended 31 December 2012 have been restated (refer to note 1 and note 26).

The financial statements were approved by the Board of Directors on 24 February 2014 and signed on its behalf by:

Denis Buckley, Chairman

Stan McCarthy, Chief Executive Officer

CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE

FOR THE YEAR ENDED 31 DECEMBER 2013

	Notes	2013 €'m	2012 (Restated)* €'m
Profit after taxation and attributable to owners of the parent		**84.4**	260.7
Other comprehensive (expense)/income:			
Items that are or may be reclassified subsequently to profit or loss:			
Fair value movements on cash flow hedges		**(0.3)**	(0.8)
Cash flow hedges – reclassified to profit or loss from equity	23	**(6.5)**	4.9
Deferred tax effect of fair value movements on cash flow hedges	16	**(1.3)**	(0.9)
Exchange difference on translation of foreign operations	30	**(82.4)**	(0.3)
Deferred tax effect of exchange difference on translation of foreign operations	16	**0.7**	0.8
Items that will not be reclassified to profit or loss:			
Re-measurement on retirement benefits obligation	25	**30.9**	(44.6)
Deferred tax effect of re-measurement on retirement benefits obligation	16	**(12.3)**	8.3
Net expense recognised directly in other comprehensive income		**(71.2)**	(32.6)
Total comprehensive income		**13.2**	228.1

* IAS 19 (2011) 'Employee Benefits' and IAS 1 (amendment) 'Presentation of Financial Statements' have been adopted as required by IFRS in 2013. The comparatives for the year ended 31 December 2012 have been restated (refer to note 1 and note 26).

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2013

	Notes	31 December 2013 €'m	31 December 2012 (Restated)* €'m	1 January 2012 (Restated)* €'m
Non-current assets				
Property, plant and equipment	11	**1,090.5**	1,205.6	1,208.7
Intangible assets	12	**2,392.7**	2,459.9	2,294.6
Financial asset investments	13	**21.4**	18.8	19.3
Non-current financial instruments	22	**39.4**	86.1	84.0
Deferred tax assets	16	**16.5**	10.0	10.2
		3,560.5	3,780.4	3,616.8
Current assets				
Inventories	15	**656.0**	637.3	658.5
Trade and other receivables	18	**696.1**	706.1	709.8
Cash at bank and in hand	22	**245.8**	215.4	237.9
Other current financial instruments	22	**10.2**	10.0	1.4
Assets classified as held for sale	17	**41.0**	0.5	5.6
		1,649.1	1,569.3	1,613.2
Total assets		**5,209.6**	5,349.7	5,230.0
Current liabilities				
Trade and other payables	19	**1,168.3**	1,149.8	1,136.9
Borrowings and overdrafts	22	**43.5**	212.7	39.0
Other current financial instruments	22	**9.3**	1.8	16.5
Tax liabilities		**40.3**	32.7	25.2
Provisions	24	**102.9**	42.3	26.1
Deferred income	20	**2.3**	2.3	2.3
		1,366.6	1,441.6	1,246.0
Non-current liabilities				
Borrowings	22	**1,282.1**	1,287.4	1,559.9
Other non-current financial instruments	22	**41.6**	11.9	10.7
Retirement benefits obligation	25	**252.1**	311.6	280.6
Other non-current liabilities	21	**53.0**	60.1	63.1
Deferred tax liabilities	16	**168.4**	163.9	173.0
Provisions	24	**59.8**	37.7	33.1
Deferred income	20	**18.5**	21.1	21.4
		1,875.5	1,893.7	2,141.8
Total liabilities		**3,242.1**	3,335.3	3,387.8
Net assets		**1,967.5**	2,014.4	1,842.2
Issued capital and reserves attributable to owners of the parent				
Share capital	27	**22.0**	21.9	21.9
Share premium		**398.7**	398.7	398.7
Other reserves		**(172.5)**	(88.1)	(94.3)
Retained earnings		**1,719.3**	1,681.9	1,515.9
Shareholders' equity		**1,967.5**	2,014.4	1,842.2

*IAS 19 (2011) 'Employee Benefits' has been adopted as required by IFRS in 2013. The comparatives as at 31 December 2012 and as at 1 January 2012 have been restated (refer to note 1 and note 26).

The financial statements were approved by the Board of Directors on 24 February 2014 and signed on its behalf by:

Denis Buckley, Chairman

Stan McCarthy, Chief Executive Officer

COMPANY BALANCE SHEET

AS AT 31 DECEMBER 2013

	Notes	2013 €'m	2012 €'m
Non-current assets			
Property, plant and equipment	11	**1.1**	1.3
Investment in subsidiaries	14	**638.7**	638.7
		639.8	640.0
Current assets			
Cash at bank and in hand	22	**–**	0.1
		–	0.1
Total assets		**639.8**	640.1
Current liabilities			
Trade and other payables	19	**11.3**	11.8
Borrowings and overdrafts	22	**0.3**	–
		11.6	11.8
Non-current liabilities			
Other non-current liabilities	21	**97.3**	100.0
Deferred income	20	**0.1**	0.2
		97.4	100.2
Total liabilities		**109.0**	112.0
Net assets		**530.8**	528.1
Issued capital and reserves			
Share capital	27	**22.0**	21.9
Share premium		**398.7**	398.7
Other reserves		**14.6**	9.8
Retained earnings		**95.5**	97.7
Shareholders' equity		**530.8**	528.1

The financial statements were approved by the Board of Directors on 24 February 2014 and signed on its behalf by:

Denis Buckley, Chairman Stan McCarthy, Chief Executive Officer

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2013

	Notes	Share Capital €'m	Share Premium €'m	Other Reserves €'m	Retained Earnings €'m	Total €'m
Group:						
At 1 January 2012		21.9	398.7	(94.3)	1,519.0	1,845.3
IAS 19 (2011) Restatement	26	–	–	–	(3.1)	(3.1)
At 1 January 2012 (Restated)*		21.9	398.7	(94.3)	1,515.9	1,842.2
Total comprehensive income (Restated)*		–	–	3.8	224.3	228.1
Dividends paid	10	–	–	–	(58.3)	(58.3)
Share-based payment expense	28	–	–	2.4	–	2.4
Shares issued during year	27	–	–	–	–	–
At 31 December 2012 (Restated)*		21.9	398.7	(88.1)	1,681.9	2,014.4
Total comprehensive (expense)/income		**–**	**–**	**(89.2)**	**102.4**	**13.2**
Dividends paid	10	**–**	**–**	**–**	**(65.0)**	**(65.0)**
Share-based payment expense	28	**–**	**–**	**4.8**	**–**	**4.8**
Shares issued during year	27	**0.1**	**–**	**–**	**–**	**0.1**
At 31 December 2013		**22.0**	**398.7**	**(172.5)**	**1,719.3**	**1,967.5**

Other Reserves comprise the following:

	Notes	Capital Redemption Reserve €'m	Capital Conversion Reserve Fund €'m	Share-Based Payment Reserve €'m	Translation Reserve €'m	Hedging Reserve €'m	Total €'m
At 1 January 2012		1.7	0.3	5.4	(89.2)	(12.5)	(94.3)
Total comprehensive (expense)/income		–	–	–	(0.3)	4.1	3.8
Share-based payment expense	28	–	–	2.4	–	–	2.4
At 31 December 2012		1.7	0.3	7.8	(89.5)	(8.4)	(88.1)
Total comprehensive expense		**–**	**–**	**–**	**(82.4)**	**(6.8)**	**(89.2)**
Share-based payment expense	28	**–**	**–**	**4.8**	**–**	**–**	**4.8**
At 31 December 2013		**1.7**	**0.3**	**12.6**	**(171.9)**	**(15.2)**	**(172.5)**

*IAS 19 (2011) 'Employee Benefits' has been adopted as required by IFRS in 2013. The comparatives for the year ended and as at 31 December 2012 and as at 1 January 2012 have been restated (refer to note 1 and note 26).

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

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2013

	Notes	Share Capital €'m	Share Premium €'m	Other Reserves €'m	Retained Earnings €'m	Total €'m
Company:						
At 1 January 2012		21.9	398.7	7.4	62.7	490.7
Total comprehensive income	8	–	–	–	93.3	93.3
Dividends paid	10	–	–	–	(58.3)	(58.3)
Share-based payment expense	28	–	–	2.4	–	2.4
Shares issued during year	27	–	–	–	–	–
At 31 December 2012		21.9	398.7	9.8	97.7	528.1
Total comprehensive income	8	**–**	**–**	**–**	**62.8**	**62.8**
Dividends paid	10	**–**	**–**	**–**	**(65.0)**	**(65.0)**
Share-based payment expense	28	**–**	**–**	**4.8**	**–**	**4.8**
Shares issued during year	27	**0.1**	**–**	**–**	**–**	**0.1**
At 31 December 2013		**22.0**	**398.7**	**14.6**	**95.5**	**530.8**

Other Reserves comprise the following:

	Notes	Capital Redemption Reserve €'m	Capital Conversion Reserve Fund €'m	Share-Based Payment Reserve €'m	Total €'m
At 1 January 2012		1.7	0.3	5.4	7.4
Share-based payment expense	28	–	–	2.4	2.4
At 31 December 2012		1.7	0.3	7.8	9.8
Share-based payment expense	28	**–**	**–**	**4.8**	**4.8**
At 31 December 2013		**1.7**	**0.3**	**12.6**	**14.6**

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

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2013

	Notes	2013 €'m	2012 (Restated)* €'m
Operating activities			
Trading profit	29	**611.4**	559.0
Adjustments for:			
Depreciation (net)	11/20	**108.9**	114.3
Change in working capital	29	**(34.0)**	(6.2)
Pension contributions paid less pension expense		**(35.6)**	(29.5)
Expenditure on acquisition integration and restructuring costs	5	**(104.8)**	(70.6)
Exchange translation adjustment	30	**(0.2)**	(1.8)
Cash generated from operations		**545.7**	565.2
Income taxes paid		**(36.2)**	(53.5)
Finance income received		**1.2**	1.1
Finance costs paid		**(51.5)**	(49.7)
Net cash from operating activities		**459.2**	463.1
Investing activities			
Purchase of non-current assets	29	**(190.2)**	(167.5)
Proceeds from the sale of property, plant and equipment		**12.8**	8.3
Capital grants received		**0.7**	3.2
Purchase of subsidiary undertakings (net of cash acquired)	31	**(111.5)**	(174.7)
Proceeds/(payments) due to disposal of businesses (net of related tax)		**9.8**	(2.1)
Payments relating to previous acquisitions		**(5.1)**	(5.0)
Net cash used in investing activities		**(283.5)**	(337.8)
Financing activities			
Dividends paid	10	**(65.0)**	(58.3)
Issue of share capital	27	**0.1**	-
Net movement on bank borrowings	29	**(71.9)**	(88.6)
Net cash movement due to financing activities		**(136.8)**	(146.9)
Net increase/(decrease) in cash and cash equivalents		**38.9**	(21.6)
Cash and cash equivalents at beginning of year		215.4	237.0
Exchange translation adjustment on cash and cash equivalents	30	**(8.5)**	-
Cash and cash equivalents at end of year	29	**245.8**	215.4
Reconciliation of Net Cash Flow to Movement in Net Debt			
Net increase/(decrease) in cash and cash equivalents		**38.9**	(21.6)
Cash outflow from debt financing		**71.9**	88.6
Changes in net debt resulting from cash flows		**110.8**	67.0
Fair value movement on interest rate swaps (net of adjustment to borrowings)		**(3.9)**	(1.4)
Exchange translation adjustment on net debt	30	**20.8**	11.3
Movement in net debt in the year		**127.7**	76.9
Net debt at beginning of year		(1,210.8)	(1,287.7)
Net debt at end of year	22	**(1,083.1)**	(1,210.8)

* IAS 19 (2011) 'Employee Benefits' has been adopted as required by IFRS in 2013. The comparatives for the year ended 31 December 2012 have been restated (refer to note 1 and note 26).

COMPANY CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2013

	Notes	**2013 €'m**	2012 €'m
Operating activities			
Trading profit	29	**61.8**	92.1
Adjustments for:			
Depreciation	11/20	**0.1**	0.1
Change in working capital	29	**2.6**	(32.7)
Net cash from operating activities		**64.5**	59.5
Financing activities			
Dividends paid	10	**(65.0)**	(58.3)
Issue of share capital	27	**0.1**	–
Net cash movement due to financing activities		**(64.9)**	(58.3)
Net (decrease)/increase in cash and cash equivalents		**(0.4)**	1.2
Cash and cash equivalents at beginning of year		0.1	(1.1)
Cash and cash equivalents at end of year	29	**(0.3)**	0.1

1. Statement of accounting policies

General information

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

Basis of preparation

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

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

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

The consolidated financial statements have been prepared on a going concern basis and further details can be found on page 58 of the Report of the Directors.

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

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. Trading profit represents operating profit before specific items that are considered to hinder comparison of the trading performance of the Group's businesses, either year-on-year or with other businesses.

— 'Non-trading items' refers to gains or losses on the disposal or acquisition of businesses, disposal of non-current assets, costs in preparation of disposal of assets and material acquisition integration and restructuring costs. It is determined by management that each of these items relate to events or circumstances that are non-recurring in nature.

— 'Operating profit' is profit before income taxes, finance income and finance costs.

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

For clarity, a number of specific terms in operating profit (note 3) are explained as follows:

— 'Other external charges' primarily refers to selling, general and administrative expenses.

— 'Other operating charges' primarily refers to manufacturing and warehousing costs.

In the 2013 consolidated financial statements, the Group has re-presented corresponding balances in 2012 to align with the current year presentation. The 2012 loss on disposal of businesses and loss on disposal of non-current assets have been re-presented as a single line item in the Consolidated Income Statement. Operating profit (note 3) has re-presented certain categories of cost to align with current year presentation. Additionally, deferred tax assets and liabilities (note 16) has re-presented unrecognised deductible temporary differences to align with current year presentation and the classification of short term temporary differences recognised within shareholders equity. These changes in presentation do not impact on the classification of any line items on the Group's or Company's Balance Sheet.

Basis of consolidation

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 effective date of their disposal. All inter-group transactions and balances are eliminated on consolidation.

1. **Statement of accounting policies** (continued)

Revenue

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

Segmental analysis

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

The Group has two operating segments: Ingredients & Flavours and Consumer Foods. The Ingredients & Flavours operating segment manufactures and distributes application specific ingredients and flavours spanning a number of technology platforms while the Consumer Foods segment manufactures and supplies added value brands and customer branded foods mainly to the Irish and UK markets. 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. There are no material dependencies or concentrations on individual customers which would warrant disclosure under IFRS 8 'Operating Segments'.

Property, plant and equipment

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

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

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

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

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

Assets classified as held for sale

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

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

1. Statement of accounting policies (continued)

Intangible assets

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

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

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

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

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

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

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

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

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

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

Impairment of non-financial assets

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation. They are tested annually in the last quarter of the year or when indications exist that the asset may be impaired. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGU) which is by region within operating segment. An impairment loss is recognised immediately in the Consolidated Income Statement for the amount by which the asset's carrying value exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or its value in use. Value in use is determined as the discounted future cash flows of the CGU. The key assumptions for the value in use calculations are discount rates and growth rates during the year.

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

1. Statement of accounting policies (continued)

Inventories

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

Income taxes

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

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

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

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

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

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

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

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

Retirement benefits obligation

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

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

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

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

Provisions

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

— the Group has a present obligation (legal or constructive) as a result of a past event;

— it is probable that the Group will be required to settle the obligation; and

— a reliable estimate can be made of the amount of the obligation.

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

1. Statement of accounting policies (continued)

Research and development expenditure

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

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

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

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

Grants

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

Dividends

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

Operating leases

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

Share-based payments

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

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

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

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

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

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

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

Borrowing costs

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

1. Statement of accounting policies (continued)

Business combinations

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

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

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

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

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

Investments in subsidiaries

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

Financial instruments

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

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

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

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

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

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

(a) Available-for-sale financial assets
Group financial asset investments are classified as available-for-sale as they are non-derivative assets and are not designated at FVTPL on initial recognition. Available-for-sale investments are stated at their fair value at the balance sheet date. Movements in fair value are recorded in 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 where there is an active market. Where there is not an active market, a 'sum-of-the-parts' valuation model is used to determine the fair value of shares. A market is deemed not to be active when a low level of trading exists and willing buyers and sellers are not readily available. The 'sum-of-the-parts' valuation separates the available-for-sale investments into the operating segments and uses industry analysis and the market valuations of peer companies in the relevant segments to arrive at a combined valuation for the investments.

1. Statement of accounting policies (continued)

***Financial instruments** (continued)*

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1. Statement of accounting policies (continued)

Financial instruments (continued)

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

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

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

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

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

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

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

If a hedge is no longer effective or a hedging relationship ceases to exist, hedge accounting is discontinued prospectively and any cumulative gain or loss on the instrument previously recognised in 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 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.

1. Statement of accounting policies (continued)

Financial instruments *(continued)*

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

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

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

Critical accounting estimates and judgements

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

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

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

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

1. Statement of accounting policies (continued)

Critical accounting estimates and judgements (continued)

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

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

'Income taxes' and 'Deferred tax assets and liabilities' are disclosed in notes 7 and 16 to these consolidated financial statements, respectively.

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

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

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

Retirement benefits obligation
The estimation of and accounting for retirement benefits obligation involves judgements made in conjunction with independent actuaries. These involve estimates about uncertain future events based on the environment in different countries, including life expectancy of scheme members, future salary and pension increases and inflation as well as discount rates. The assumptions used by the Group and a sensitivity analysis of a change in these assumptions are described in note 25.

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

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

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

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

Provisions
The amounts recognised as a provision are management's best estimate of the expenditure required to settle present obligations at the balance sheet date. The outcome depends on future events which are by their nature uncertain. In assessing the likely outcome, management bases its assessment on historical experience and other factors that are believed to be reasonable in the circumstances. Provisions are disclosed in note 24 to these consolidated financial statements.

Other areas
Other areas where accounting estimates and judgements are required, though the impact on the consolidated financial statements is not considered as significant as those mentioned above, are property, plant and equipment (note 11), financial assets investments (note 13), assets classified as held for sale (note 17) and financial instruments (notes 22 and 23).

1. Statement of accounting policies (continued)

New standards and interpretations

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

Standard effective for Kerry Group in 2013 and has an impact on the results and financial position of the Group:			*Effective Date*
—	IAS 19 (2011)	Employee Benefits	1 January 2013
		Amended IAS 19 – Employee Benefits (endorsed by the EU in June 2012) changes a number of disclosure requirements for post-employment arrangements and restricts the options currently available on how to account for defined benefit pension plans. This standard is effective for annual periods beginning on or after 1 January 2013 with retrospective application applied. Under the amended IAS 19, re-measurements are required to be recognised immediately when they occur thereby eliminating the option of the 'corridor approach'; the expected return on assets and interest cost are replaced by a net interest cost which is required to be calculated using the liability discount rate rather than using an assumed long term expected rate of return for calculating the expected return on assets element; and all past service costs are required to be recognised immediately. The quantification of the impact is disclosed in note 26.	

Standard effective for Kerry Group in 2013 and only impacts on the presentation of the Consolidated Statement of Recognised Income and Expense:			*Effective Date*
—	IAS 1 (amendment)	Presentation of Financial Statements	1 July 2012
		The amendment to IAS 1 has revised the layout of the Consolidated Statement of Recognised Income and Expense but has no impact on the results or financial position of the Group.	

Standards and Interpretations effective for Kerry Group in 2013 but not material to the results and financial position of the Group:			*Effective Date*
—	IFRS 1 (amendments)	First-time adoption of International Financial Reporting Standards	1 January 2013
—	IFRS 7 (amendment)	Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities	1 January 2013
—	IFRS 13	Fair Value Measurement	1 January 2013
—	IAS 1 (amendment)	Presentation of Financial Statements	1 January 2013
—	IAS 16 (amendment)	Property, Plant & Equipment	1 January 2013
—	IAS 32 (amendment)	Financial Instruments: Presentation	1 January 2013
—	IAS 34 (amendment)	Interim Financial Reporting	1 January 2013
—	IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine	1 January 2013

Standards and Interpretations which are not yet effective for Kerry Group and are not expected to have a material effect on the results or the financial position of the Group:			*Effective Date*
—	IFRS 7 (amendment)	Financial Instruments: Disclosures	1 January 2015
—	IFRS 10	Consolidated Financial Statements	1 January 2014
—	IFRS 11	Joint Arrangements	1 January 2014
—	IFRS 12	Disclosure of Interests in Other Entities	1 January 2014
—	IFRS 14	Regulatory Deferral Accounts	1 January 2016
—	IAS 19 (amendment)	Employee Benefits	1 July 2014
—	IAS 27 (amendment)	Consolidated and Separate Financial Statements	1 January 2014
—	IAS 28 (amendment)	Investments in Associates and Joint Ventures	1 January 2014
—	IAS 32 (amendment)	Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities	1 January 2014
—	IAS 36 (amendment)	Impairment of Assets	1 January 2014
—	IAS 39 (amendment)	Financial Instruments: Recognition and Measurement	1 January 2014
—	IAS 39 (amendment)	Financial Instruments: Recognition and Measurement	1 January 2015
—	IFRIC 21	Levies	1 January 2014

1. Statement of accounting policies (continued)

New standards and interpretations (continued)

The following revised standard is not yet effective and the impact on Kerry Group is currently under review:			*Effective Date*
—	IFRS 9	Financial Instruments IFRS 9 (2009) provides guidance solely on recognition, classification and measurement of financial assets. IFRS 9 (2009) and IFRS 9 (2010) contain two primary measurement categories for financial assets: amortised cost and fair value and also include consequential amendments to the disclosure requirements of IFRS 7. IFRS 9 (2010) also includes additional requirements for the classification and measurement of financial liabilities. IFRS 9 (2013) contains a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures.	1 January 2018

2. Analysis of results

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

	Ingredients & Flavours 2013 €'m	Consumer Foods 2013 €'m	Group Eliminations and Unallocated 2013 €'m	Total 2013 €'m	Ingredients & Flavours 2012 (Restated)* €'m	Consumer Foods 2012 (Restated)* €'m	Group Eliminations and Unallocated 2012 €'m	Total 2012 (Restated)* €'m
External revenue	**4,248.6**	**1,588.1**	**–**	**5,836.7**	4,147.3	1,701.0	–	5,848.3
Inter-segment revenue	**78.7**	**13.3**	**(92.0)**	**–**	77.9	11.3	(89.2)	–
Revenue	**4,327.3**	**1,601.4**	**(92.0)**	**5,836.7**	4,225.2	1,712.3	(89.2)	5,848.3
Trading profit	**558.5**	**128.8**	**(75.9)**	**611.4**	507.7	132.6	(81.3)	559.0
Intangible asset amortisation				**(28.1)**				(23.4)
Non-trading items				**(393.8)**				(158.0)
Operating profit				**189.5**				377.6
Finance income				**1.2**				1.1
Finance costs				**(68.8)**				(63.2)
Profit before taxation				**121.9**				315.5
Income taxes				**(37.5)**				(54.8)
Profit after taxation and attributable to owners of the parent				**84.4**				260.7
Segment assets and liabilities								
Segment assets	**3,310.4**	**891.3**	**1,007.9**	**5,209.6**	3,330.4	1,088.3	931.0	5,349.7
Segment liabilities	**(907.5)**	**(434.3)**	**(1,900.3)**	**(3,242.1)**	(850.2)	(460.5)	(2,024.6)	(3,335.3)
Net assets	**2,402.9**	**457.0**	**(892.4)**	**1,967.5**	2,480.2	627.8	(1,093.6)	2,014.4
Other segmental information								
Property, plant and equipment additions	**141.8**	**12.2**	**1.5**	**155.5**	114.7	26.0	5.1	145.8
Depreciation (net)	**82.1**	**23.5**	**3.3**	**108.9**	84.7	26.8	2.8	114.3
Intangible asset additions	**0.2**	**0.5**	**23.9**	**24.6**	0.5	–	22.3	22.8
Intangible asset amortisation	**11.0**	**7.2**	**9.9**	**28.1**	14.1	1.3	8.0	23.4
Non-trading items								
Acquisition integration and restructuring costs	**199.4**	**25.6**	**–**	**225.0**	77.1	43.1	–	120.2
Impairment of assets held for sale	**10.8**	**102.3**	**–**	**113.1**	–	–	–	–
Loss on disposal of businesses and non-current assets	**10.9**	**44.8**	**–**	**55.7**	38.4	(0.6)	–	37.8

*Comparatives have been restated to reflect the adoption of IAS 19 (2011) 'Employee Benefits' (refer to note 1 and note 26).

2. Analysis of results (continued)

Information about geographical areas

	EMEA 2013 €'m	Americas 2013 €'m	Asia Pacific 2013 €'m	Total 2013 €'m	EMEA 2012 €'m	Americas 2012 €'m	Asia Pacific 2012 €'m	Total 2012 €'m
Revenue by location of external customers	**3,189.5**	**1,882.1**	**765.1**	**5,836.7**	3,315.7	1,806.8	725.8	5,848.3
Segment assets by location	**3,275.8**	**1,450.4**	**483.4**	**5,209.6**	3,330.0	1,547.1	472.6	5,349.7
Property, plant and equipment additions	**86.5**	**46.6**	**22.4**	**155.5**	64.7	67.1	14.0	145.8
Intangible asset additions	**24.4**	**0.2**	**–**	**24.6**	22.3	0.2	0.3	22.8

Kerry Group plc is domiciled in the Republic of Ireland and the revenues from external customers in the Republic of Ireland were **€576.5m** (2012: €559.8m). The non-current assets located in the Republic of Ireland are **€808.4m** (2012: €884.6m).

Revenues from external customers include **€1,694.2m** (2012: €1,813.8m) in the United Kingdom and **€1,462.1m** (2012: €1,408.0m) in the US. The non-current assets in the UK are **€669.9m** (2012: €745.3m) and in the US are **€827.8m** (2012: €872.0m).

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

3. Operating profit

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

	Notes	Continuing Operations 2013 €'m	Continuing Operations 2012 (Restated)* €'m
Revenue		**5,836.7**	5,848.3
Less operating costs:			
Raw materials and consumables		**3,314.3**	3,306.3
Other external charges		**477.8**	490.3
Staff costs		**1,040.9**	1,056.0
Depreciation	11	**111.3**	116.9
Capital grants amortisation	20	**(2.4)**	(2.6)
Other operating charges		**317.7**	306.3
Foreign exchange (gains)/losses		**(4.1)**	11.9
Change in inventories of finished goods		**(30.2)**	4.2
Trading profit		**611.4**	559.0
Intangible asset amortisation	12	**28.1**	23.4
Acquisition integration and restructuring costs	5	**225.0**	120.2
Impairment of assets held for sale	5	**113.1**	-
Loss on disposal of businesses and non-current assets	5	**55.7**	37.8
Non-trading items		**393.8**	158.0
Operating profit		**189.5**	377.6
And is stated after charging:			
Research and development costs		**186.4**	185.9

*Comparatives have been restated to reflect the adoption of IAS 19 (2011) 'Employee Benefits' (refer to note 1 and note 26).

3. Operating profit (continued)

Directors' emoluments

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

Auditors' remuneration

	Deloitte & Touche Ireland 2013 €'m	**Deloitte & Touche Other 2013 €'m**	**Deloitte & Touche Worldwide 2013 €'m**	Deloitte & Touche Ireland 2012 €'m	Deloitte & Touche Other 2012 €'m	Deloitte & Touche Worldwide 2012 €'m
Statutory disclosure:						
Group audit	**1.2**	**1.9**	**3.1**	0.9	2.0	2.9
Other assurance services	**0.3**	**0.6**	**0.9**	0.1	0.5	0.6
Total assurance services	**1.5**	**2.5**	**4.0**	1.0	2.5	3.5
Tax advisory services	**0.9**	**1.9**	**2.8**	1.3	1.2	2.5
Other non-audit services	**0.1**	**–**	**0.1**	0.1	–	0.1
Total non-audit services	**1.0**	**1.9**	**2.9**	1.4	1.2	2.6
Total auditors' remuneration	**2.5**	**4.4**	**6.9**	2.4	3.7	6.1
Assurance services			**58%**			57%
Non-audit services			**42%**			43%
Total			**100%**			100%

Group audit consists of fees payable for the consolidated and statutory audits of the Group and its subsidiaries. Included in Group audit are total fees of **€7,000** (2012: €7,000) which were paid to the Group's auditor in respect of the Parent Company.

4. Total staff numbers and costs

The average number of people employed by the Group was:

	Ingredients & Flavours 2013 Number	**Consumer Foods 2013 Number**	**Total 2013 Number**	Ingredients & Flavours 2012 Number	Consumer Foods 2012 Number	Total 2012 Number
EMEA	**5,376**	**9,604**	**14,980**	5,084	10,243	15,327
Americas	**6,301**	**–**	**6,301**	5,903	–	5,903
Asia Pacific	**3,211**	**–**	**3,211**	2,952	–	2,952
	14,888	**9,604**	**24,492**	13,939	10,243	24,182

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

	Ingredients & Flavours 2013 €'m	**Consumer Foods 2013 €'m**	**Total 2013 €'m**	Ingredients & Flavours 2012 (Restated)* €'m	Consumer Foods 2012 (Restated)* €'m	Total 2012 (Restated)* €'m
EMEA	**283.8**	**332.0**	**615.8**	288.0	359.7	647.7
Americas	**320.2**	**–**	**320.2**	312.6	–	312.6
Asia Pacific	**111.8**	**–**	**111.8**	101.7	–	101.7
	715.8	**332.0**	**1,047.8**	702.3	359.7	1,062.0

*Comparatives have been restated to reflect the adoption of IAS 19 (2011) 'Employee Benefits' (refer to note 1 and note 26).

Social welfare costs of **€93.5m** (2012: €101.9m) as well as the share-based payment expense of **€4.8m** (2012: €2.4m) are included in payroll costs. Pension costs included in the payroll costs are disclosed in note 25. Included in the above payroll costs disclosure is **€6.9m** (2012: €6.0m) which has been capitalised as part of computer software in intangible assets.

5. Non-trading items

(a) Acquisition integration and restructuring costs

	Gross Cost €'m	Tax €'m	Net Cost €'m
Acquisition integration costs	102.2	(19.3)	82.9
Footprint and supply chain restructuring programme	85.9	(16.2)	69.7
Global Technology and Innovation Centres	36.9	(0.5)	36.4
2013 Acquisition integration and restructuring costs	**225.0**	**(36.0)**	**189.0**
2012 Acquisition integration and restructuring costs	120.2	(20.4)	99.8

Of which:

	Acquisition integration costs €'m	Footprint and supply chain restructuring programme €'m	Global Technology and Innovation Centres €'m	Total Gross Cost €'m	Tax €'m	Net Cost €'m
Redundancies and contract compensation	39.1	53.5	22.9	115.5	(18.5)	97.0
Impairment of assets and other non-cash costs	8.1	24.4	0.3	32.8	(5.2)	27.6
Relocation and dual running costs	45.4	4.1	7.9	57.4	(9.2)	48.2
Acquisition transaction and other service costs	9.1	1.8	–	10.9	(1.8)	9.1
Other	0.5	2.1	5.8	8.4	(1.3)	7.1
Acquisition integration and restructuring costs	**102.2**	**85.9**	**36.9**	**225.0**	**(36.0)**	**189.0**

Acquisition integration costs represent additional investment by the Group in current and past acquired businesses (including Cargill Flavour Systems), in order to realise their full value and achieve expected synergies. The costs reflect the closure of factories, relocation of resources and the streamlining of operations in order to integrate the businesses into the existing Kerry operating model.

The footprint and supply chain restructuring programme consists of costs associated with the Group's implementation of the 1 Kerry business excellence programme across all manufacturing operations and functional areas to leverage Kerry's global expertise and capabilities, whilst optimising manufacturing, scale and efficiency benefits.

Global Technology and Innovation Centres represents costs associated with the establishment in Ireland of the Group's Global Technology and Innovation Centre for the EMEA region.

The 2013 costs reflect the impact of closing or streamlining 24 sites within the Group.

The 2012 acquisition integration and restructuring costs of €120.2m included transaction expenses incurred in completing recent acquisitions as well as initial costs in integrating the acquisitions into the Group's operations and structure and costs associated with the progression of the 1 Kerry business excellence programme. The 2012 costs reflect the impact of closing or streamlining 13 sites within the Group.

Tax

A tax credit of **€36.0m** (2012: €20.4m) arose due to tax deductions available on the acquisition integration and restructuring costs.

Cash impact

The acquisition integration and restructuring costs resulted in net cash outflow (after related tax) of **€68.8m** (2012: €50.2m).

5. Non-trading items (continued)

(b) Impairment of assets held for sale

Following a fundamental review of 'go-to-market' strategies and reflecting significant changes in consumer consumption trends in the Irish and UK consumer foods markets, a decision has been made to classify a number of businesses as held for sale. These businesses are primarily held by Consumer Foods in Ireland and the UK.

The assets of these businesses have been impaired to their fair value less costs to sell resulting in a non-cash impairment of **€113.1m** (2012: €nil) to goodwill, brand-related intangibles, fixed assets and inventory as outlined in 'property, plant and equipment' (note 11) and 'intangible assets' (note 12). More details on these assets held for sale has been provided in 'assets classified as held for sale' (note 17).

The fair value of these assets less cost to sell were based on a combination of offers received for some of the businesses, third party valuations and management estimates of the fair value of these non-core businesses.

These impairments have been recorded in the Consolidated Income Statement as part of non-trading items.

A tax credit of **€4.2m** (2012: €nil) arose due to tax deductions available on the impairment of assets held for sale.

(c) Loss on disposal of businesses and non-current assets

The loss of **€55.7m** relates primarily to the disposal of non-core businesses including a liquid milk business, the Freshways sandwich business in Ireland, a distribution business in France, and to the sale of property, plant and equipment in the US, UK and Ireland. The 2012 loss of €37.8m related primarily to the disposal of the Candied Fruit business in France, Cargill Aroma Chemicals US business and other non-core businesses in the UK and Ireland and the loss on disposal of property, plant and equipment in the US and the UK. A net tax credit of **€1.4m** (2012: €2.1m) arose due to tax deductions available on the losses.

6. Finance income and costs

	Note	**2013** **€'m**	2012 (Restated)* €'m
Finance income:			
Interest income on deposits		**1.2**	1.1
Finance costs:			
Interest payable		**(55.9)**	(50.6)
Interest rate derivative cost		**(1.1)**	–
Borrowing costs capitalised		**0.4**	0.3
		(56.6)	(50.3)
Net interest cost on retirement benefits obligation	25	**(12.2)**	(12.9)
Finance costs		**(68.8)**	(63.2)

*Comparatives have been restated to reflect the adoption of IAS 19 (2011) 'Employee Benefits' (refer to note 1 and note 26).

The finance costs capitalised primarily relate to the borrowing costs incurred on significant capital projects including the Global Technology and Innovation Centres and the development of computer software for the Kerryconnect programme. Interest is capitalised at the Group's average interest rate for the period of **4.0%** (2012: 3.5%).

The interest rate derivative cost represents adjustments for hedge ineffectiveness, including an adjustment to certain derivatives that are no longer designated in a hedge relationship. The fair values of such derivatives are disclosed under assets or liabilities at fair value through profit or loss in note 22.

7. Income taxes

	Notes	2013 €'m	2012 (Restated)* €'m
Recognition in the Consolidated Income Statement			
Current tax expense		**42.5**	60.3
Adjustments in respect of prior years		**2.4**	0.9
		44.9	61.2
Deferred tax	16	**(7.4)**	(6.4)
Income tax expense		**37.5**	54.8
Included in the above are the following tax credits on non-trading items:			
Current tax		**(14.4)**	(11.3)
Deferred tax		**(27.2)**	(11.2)
	5	**(41.6)**	(22.5)

*Comparatives have been restated to reflect the adoption of IAS 19 (2011) 'Employee Benefits' (refer to note 1 and note 26).

The applicable notional tax rate of **16.4%** (2012 (Restated): 19.4%) used by the Group is calculated based on the weighted average of the standard tax rates applying to profits earned by the Group in the jurisdictions in which it operates. The variation in the applicable notional tax rate is caused by changes in profits by jurisdiction, as well as changes in local statutory tax rates.

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

	2013 €'m	2012 (Restated)* €'m
Profit before taxation	**121.9**	315.5
Applicable notional tax	**20.0**	61.1
Adjustments to current tax and deferred tax in respect of prior years	**0.8**	0.8
Income taxed at rates other than standard tax rates	**(3.3)**	0.2
Withholding taxes and other local taxes	**5.4**	4.6
Income not subject to tax	**(11.1)**	(8.3)
Non-recognition/(utilisation) of unprovided deferred tax assets	**1.0**	(5.0)
Other adjusting items	**24.7**	1.4
Income tax expense	**37.5**	54.8

*Comparatives have been restated to reflect the adoption of IAS 19 (2011) 'Employee Benefits' (refer to note 1 and note 26).

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

An increase in the Group's applicable tax rate of 1% would reduce profit after tax by €1.2m (2012 (Restated): €3.2m).

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

8. Profit attributable to Kerry Group plc

In accordance with section 148 (8) of the Companies Act, 1963 and section 7 (1A) of the Companies (Amendment) Act, 1986, the Company is availing of the exemption from presenting its individual income statement to the Annual General Meeting and from filing it with the Registrar of Companies. The Company's profit for the financial year as determined in accordance with IFRSs as adopted by the European Union is **€62.8m** (2012: €93.3m).

9. Earnings per A ordinary share

	Notes	EPS cent	2013 €'m	EPS (Restated)* cent	2012 (Restated)* €'m
Basic earnings per share					
Profit after taxation and attributable to owners of the parent		**48.0**	**84.4**	148.4	260.7
Brand related intangible asset amortisation	12	**9.4**	**16.6**	8.4	14.7
Non-trading items (net of related tax)	5	**200.5**	**352.2**	77.2	135.5
Adjusted earnings		**257.9**	**453.2**	234.0	410.9
Diluted earnings per share					
Profit after taxation and attributable to owners of the parent		**48.0**	**84.4**	148.3	260.7
Adjusted earnings		**257.6**	**453.2**	233.7	410.9

*Comparatives have been restated to reflect the adoption of IAS 19 (2011) 'Employee Benefits' (refer to note 1 and note 26).

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

Number of Shares	Note	2013 m's	2012 m's
Basic weighted average number of shares		**175.7**	175.6
Impact of share options outstanding		**0.2**	0.2
Diluted weighted average number of shares		**175.9**	175.8
Actual number of shares in issue as at 31 December	27	**175.7**	175.6

10. Dividends

	2013 €'m	2012 €'m
Group and Company:		
Amounts recognised as distributions to equity shareholders in the year		
Final 2012 dividend of **25.00 cent** per A ordinary share paid 10 May 2013 (Final 2011 dividend of 22.40 cent per A ordinary share paid 11 May 2012)	**43.9**	39.3
Interim 2013 dividend of **12.00 cent** per A ordinary share paid 15 November 2013 (Interim 2012 dividend of 10.80 cent per A ordinary share paid 16 November 2012)	**21.1**	19.0
	65.0	58.3

Since the year end the Board has proposed a final 2013 dividend of 28.00 cent per A ordinary share. The payment date for the final dividend will be 9 May 2014 to shareholders registered on the record date as at 11 April 2014. These consolidated financial statements do not reflect this dividend.

11. Property, plant and equipment

	Notes	Land and Buildings €'m	Plant, Machinery and Equipment €'m	Construction in Progress €'m	Motor Vehicles €'m	Total €'m
Group:						
Cost						
At 1 January 2012		867.8	1,545.3	59.3	27.7	2,500.1
Businesses acquired		4.4	12.3	2.0	0.5	19.2
Additions		49.7	41.7	53.7	0.7	145.8
Purchase adjustments		(9.2)	(4.6)	–	–	(13.8)
Transfer from construction in progress		8.3	49.6	(57.9)	–	–
Disposals/businesses disposed		(48.3)	(108.1)	–	(3.7)	(160.1)
Transfer to held for sale	17	–	(0.5)	–	–	(0.5)
Exchange translation adjustment	30	2.6	2.4	(0.3)	(0.1)	4.6
At 31 December 2012		875.3	1,538.1	56.8	25.1	2,495.3
Businesses acquired	31	**2.2**	**8.9**	**0.5**	**–**	**11.6**
Additions		**16.0**	**56.6**	**81.5**	**1.4**	**155.5**
Purchase adjustments		**(0.1)**	**(0.4)**	**–**	**–**	**(0.5)**
Transfer from construction in progress		**7.1**	**34.9**	**(42.0)**	**–**	**–**
Disposals/businesses disposed		**(40.6)**	**(31.1)**	**–**	**(5.2)**	**(76.9)**
Transfer to held for sale	17	**(54.2)**	**(110.1)**	**–**	**–**	**(164.3)**
Exchange translation adjustment	30	**(28.6)**	**(56.4)**	**(2.8)**	**(0.5)**	**(88.3)**
At 31 December 2013		**777.1**	**1,440.5**	**94.0**	**20.8**	**2,332.4**
Accumulated depreciation and impairment						
At 1 January 2012		284.4	982.1	–	24.9	1,291.4
Charge during year	3	43.5	72.4	–	1.0	116.9
Disposals/businesses disposed		(35.6)	(99.2)	–	(3.6)	(138.4)
Impairments		8.8	8.3	–	–	17.1
Exchange translation adjustment	30	0.7	2.0	–	–	2.7
At 31 December 2012		301.8	965.6	–	22.3	1,289.7
Charge during year	3	**24.7**	**85.8**	**–**	**0.8**	**111.3**
Disposals/businesses disposed		**(15.8)**	**(24.2)**	**–**	**(4.9)**	**(44.9)**
Impairments		**43.6**	**29.0**	**–**	**–**	**72.6**
Transfer to held for sale	17	**(45.5)**	**(99.9)**	**–**	**–**	**(145.4)**
Exchange translation adjustment	30	**(8.5)**	**(32.6)**	**–**	**(0.3)**	**(41.4)**
At 31 December 2013		**300.3**	**923.7**	**–**	**17.9**	**1,241.9**
Carrying value						
At 31 December 2012		573.5	572.5	56.8	2.8	1,205.6
At 31 December 2013		**476.8**	**516.8**	**94.0**	**2.9**	**1,090.5**

11. Property, plant and equipment (continued)

An impairment charge of **€72.6m** (2012: €17.1m) has been recognised on certain property, plant and equipment due to restructuring within the Group. These charges were recognised in the Consolidated Income Statement.

In 2013, the fair value of these assets less cost to sell were based on a combination of offers received for some of the businesses, third party valuations and management estimates of the fair value of these non-core businesses and assets. These fair values are determined as level 2 and level 3 on the fair value hierarchy respectively as further disclosed in note 17.

	Land and Buildings Total €'m
Company:	
Cost	
At 1 January 2012 and 2013	4.8
Disposals	(0.1)
At 31 December 2013	4.7
Accumulated depreciation	
At 1 January 2012	3.4
Charge during year	0.1
At 31 December 2012	3.5
Charge during year	**0.2**
Disposals	**(0.1)**
At 31 December 2013	**3.6**
Carrying value	
At 31 December 2012	1.3
At 31 December 2013	**1.1**

12. Intangible assets

	Notes	Goodwill €'m	Brand Related Intangibles €'m	Computer Software €'m	Total €'m
Group:					
Cost					
At 1 January 2012		1,647.0	718.1	80.6	2,445.7
Businesses acquired		88.5	66.1	–	154.6
Additions		–	–	22.8	22.8
Purchase adjustments		21.2	(4.3)	–	16.9
Disposals/businesses disposed		(0.9)	–	(0.2)	(1.1)
Exchange translation adjustment	30	(4.3)	(0.3)	–	(4.6)
At 31 December 2012		1,751.5	779.6	103.2	2,634.3
Businesses acquired	31	**69.2**	**40.8**	**–**	**110.0**
Additions		**–**	**–**	**24.6**	**24.6**
Purchase adjustments		**1.7**	**(4.9)**	**–**	**(3.2)**
Disposals/businesses disposed		**(33.7)**	**(2.9)**	**(0.1)**	**(36.7)**
Exchange translation adjustment	30	**(64.8)**	**(13.5)**	**(0.5)**	**(78.8)**
At 31 December 2013		**1,723.9**	**799.1**	**127.2**	**2,650.2**
Accumulated amortisation and impairment					
At 1 January 2012		–	103.9	47.2	151.1
Charge during year	3	–	14.7	8.7	23.4
Disposals/businesses disposed		–	–	(0.2)	(0.2)
Exchange translation adjustment	30	–	0.1	–	0.1
At 31 December 2012		–	118.7	55.7	174.4
Charge during year	3	**–**	**16.6**	**11.5**	**28.1**
Impairments		**44.6**	**16.4**	**–**	**61.0**
Disposals/businesses disposed		**–**	**(1.3)**	**(0.1)**	**(1.4)**
Exchange translation adjustment	30	**–**	**(4.2)**	**(0.4)**	**(4.6)**
At 31 December 2013		**44.6**	**146.2**	**66.7**	**257.5**
Carrying value					
At 31 December 2012		1,751.5	660.9	47.5	2,459.9
At 31 December 2013		**1,679.3**	**652.9**	**60.5**	**2,392.7**

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

Included in the cost of brand related intangibles are intangibles of **€448.5m** (2012: €493.4m) which have indefinite lives. There are no material internally generated brand related intangibles.

An impairment charge of **€61.0m** (2012: €nil) has been recognised on goodwill and brand related intangible assets due to restructuring within the Group. These charges were recognised in the Consolidated Income Statement. The fair value of these assets less cost to sell were based on a combination of offers received for some of the businesses and management estimates of the fair value of these non-core businesses. These fair values are determined as level 2 and level 3 on the fair value hierarchy respectively as further disclosed in note 17.

12. 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 goodwill and indefinite life intangible assets by beneficial region within segment, is as follows:

	Goodwill 2013 €'m	Goodwill 2012 €'m	Indefinite Life Intangibles 2013 €'m	Indefinite Life Intangibles 2012 €'m
Ingredients & Flavours				
EMEA	**446.3**	451.8	**110.8**	104.6
Americas	**723.3**	721.5	**241.4**	221.5
Asia Pacific	**139.2**	144.1	**61.6**	64.3
Consumer Foods				
EMEA	**370.5**	434.1	**34.7**	103.0
	1,679.3	1,751.5	**448.5**	493.4

Some intangibles, which are centrally held, have been allocated above to customers/users of the intellectual property.

The Group tests goodwill and indefinite life intangibles annually for impairment, or more frequently if there are indications they might be impaired. Due to the classification of certain assets as held for sale in 2013, an impairment charge of **€61.0m** was recognised. No other impairment was recognised in 2013 (2012: €nil).

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 and growth rates.

The table below outlines the weighted average discount rates and weighted average growth rates by CGU:

	Discount Rates 2013	Discount Rates 2012	Growth Rates 2013	Growth Rates 2012
Ingredients & Flavours				
EMEA	**5.4%**	5.8%	**2.0%**	1.9%
Americas	**5.5%**	5.8%	**2.4%**	2.4%
Asia Pacific	**6.7%**	7.0%	**4.4%**	4.3%
Consumer Foods				
EMEA	**5.3%**	5.6%	**2.0%**	2.0%

Management estimate discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. A higher discount rate is applied to higher risk markets, while a lower rate is applied to more stable markets. A 1% increase in the discount rate would not have resulted in an impairment charge in 2013 or 2012. Further changes to the discount rate (for example, an additional 5% increase) would not have resulted in an impairment charge in 2013 or 2012 as there is significant headroom in the discounted cash flows.

Growth rates are based on forecasts in line with long-term broad industry growth rates. Generally, lower growth rates are used in mature markets while higher growth rates are used in emerging markets. A 1% decrease in the growth rate would not have resulted in an impairment charge in 2013 or 2012.

Changes in selling price and direct costs are based on past practices and expectations of future changes in the market.

12. Intangible assets (continued)

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 extended to perpetuity. 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. A 5% decrease in estimated cash flow forecasts would not have resulted in an impairment charge in 2013 or 2012.

Management believes that no reasonable change, in normal circumstances, in any of the above key assumptions would cause the carrying value of any CGU to exceed its recoverable amount. Key assumptions include management's estimates of future profitability, replacement capital expenditure requirements based on depreciation levels and working capital investment needs which are linked to the growth rates outlined above.

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

13. Financial asset investments

	Notes	Available-for-sale Investments €'m	Other Investments €'m	Total €'m
Group:				
At 1 January 2012		8.2	11.1	19.3
Additions		–	3.8	3.8
Impairment		(4.1)	–	(4.1)
Exchange translation adjustment	30	–	(0.2)	(0.2)
At 31 December 2012		4.1	14.7	18.8
Additions		**–**	**3.2**	**3.2**
Exchange translation adjustment	30	**–**	**(0.6)**	**(0.6)**
At 31 December 2013		**4.1**	**17.3**	**21.4**

Available-for-sale investments

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

In 2012, using a 'sum-of-the-parts' valuation, the fair value of the assets had decreased and an impairment of €4.1m was recognised in the Consolidated Income Statement. An updated 'sum-of-the-parts' valuation was performed in 2013 which did not result in any change to the carrying value of these assets.

A 10% decrease in the valuation of these shares in 2013 would have resulted in a further loss in the Consolidated Income Statement of €0.4m (2012: €0.4m).

Other investments

The Group maintains Rabbi Trusts in respect of non-qualified deferred compensation plans in the US. The assets of the trusts consist of bonds and cash which are restricted for use. The bonds are fair valued at each year end using quoted market prices. The corresponding liability is recognised within 'other non-current liabilities' (note 21).

14. Investments in subsidiaries

	2013 €'m	2012 €'m
Company:		
At beginning and end of year – at cost	**638.7**	638.7

15. Inventories

	2013 €'m	2012 €'m
Group:		
Raw materials and consumables	**261.7**	272.1
Finished goods and goods for resale	**375.7**	345.5
Expense inventories	**18.6**	19.7
	656.0	637.3

Write-downs of inventories recognised as an expense approximates to **1%** (2012: 1%) of raw materials and consumables in the Consolidated Income Statement.

16. Deferred tax assets and liabilities

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

	Notes	Property, Plant and Equipment €'m	Intangible Assets €'m	Tax Credits and NOLs €'m	Retirement Benefits Obligation (Restated)* €'m	Short Term Temporary Differences and Other Differences €'m	Total (Restated)* €'m
At 1 January 2012		101.1	176.9	(10.1)	(71.7)	(33.4)	162.8
Consolidated Income Statement movement	7	0.1	2.0	(9.1)	2.9	(2.3)	(6.4)
Recognised in shareholders' equity during year		–	–	–	(8.3)	0.1	(8.2)
Related to businesses acquired/disposed		(0.4)	8.2	–	–	(1.2)	6.6
Exchange translation adjustment	30	(0.4)	(1.9)	0.9	(0.5)	1.0	(0.9)
At 31 December 2012		100.4	185.2	(18.3)	(77.6)	(35.8)	153.9
Consolidated Income Statement movement	7	**(9.3)**	**2.6**	**(9.3)**	**12.1**	**(3.5)**	**(7.4)**
Recognised in shareholders' equity during year		**–**	**–**	**–**	**12.3**	**0.6**	**12.9**
Related to businesses acquired/disposed		**0.5**	**(2.1)**	**(2.8)**	**–**	**(1.5)**	**(5.9)**
Exchange translation adjustment	30	**(4.3)**	**(5.2)**	**1.6**	**1.5**	**4.8**	**(1.6)**
At 31 December 2013		**87.3**	**180.5**	**(28.8)**	**(51.7)**	**(35.4)**	**151.9**

*Comparatives have been restated to reflect the adoption of IAS 19 (2011) 'Employee Benefits' (refer to note 1 and note 26).

The short term temporary differences and other temporary differences recognised in shareholders' equity comprise fair value movements on cash flow hedges of **€1.3m** (2012: €0.9m) and an exchange difference on translation of foreign operations of **(€0.7m)** (2012: (€0.8m)). In the above table, NOLs refers to Net Operating Losses.

16. Deferred tax assets and liabilities (continued)

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

	2013 €'m	2012 €'m
Deferred tax assets	**(16.5)**	(10.0)
Deferred tax liabilities	**168.4**	163.9
	151.9	153.9

The total tax value of deductible temporary differences which have not been recognised is **€47.0m** (2012: €46.0m) consisting mainly of tax losses forward. Unrecognised tax losses with a value of **€6.7m** (2012: €8.0m) expire within 5 years, **€3.3m** (2012: €3.0m) expire within 9 years, and the remainder of losses have a life of 20 years or may be carried forward indefinitely. In 2013 **€1.0m** of deferred tax assets were not recognised in the year, while in 2012 €5.0m of unrecognised deferred tax assets were utilised.

Deferred tax has not been recognised in respect of withholding taxes and other taxes that would be payable on the unremitted earnings of foreign subsidiaries, as the Group is in a position to control the timing of reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. The deferred tax liabilities which have not been recognised in respect of these temporary differences are not material as the Group can rely on the availability of participation exemptions and tax credits in the context of the Group's investments in subsidiaries.

An increase of 1% in the tax rates at which deferred tax is calculated would increase the net deferred tax balance of the Group by €6.5m (2012: €7.5m).

17. Assets classified as held for sale

	Notes	**2013 €'m**	2012 €'m
Group:			
Property, plant and equipment (net of grants)	11/20	**17.7**	0.5
Inventory		**23.1**	–
Trade and other receivables (net)		**0.2**	–
		41.0	0.5

Following a fundamental review of 'go-to-market' strategies and reflecting significant changes in consumer consumption trends in the Irish and UK consumer foods markets, a decision has been made to classify a number of businesses as held for sale. These businesses are primarily held by Consumer Foods division across Ireland and the UK. The fair value less costs to sell of the major classes of assets and liabilities held for sale are disclosed above. The disposals are expected to be completed in 2014.

In 2012, the Group had certain assets in the Kerry Ingredients & Flavours division in Puerto Rico as held for sale. The assets were disposed in 2013.

In certain instances, management estimates have been used to determine the fair value less costs to sell. These assets have been determined as level 2 and level 3 on the fair value hierarchy being €15.2m and €25.8m respectively. The fair value of the level 3 assets have been determined based on a multiple of EBITDA applicable to similar transactions in this industry sector. A sensitivity analysis on this multiple has determined that a 10% increase in the multiple would correspond to a 10% increase in the value of the assets.

The closing value of the level 3 assets in this category is the €25.8m classified as level 3 during the year.

18. Trade and other receivables

	2013 €'m	2012 €'m
Group:		
Trade receivables	**635.2**	670.3
Less impairment allowance for doubtful trade receivables	**(23.1)**	(26.7)
Trade receivables due within 1 year	**612.1**	643.6
Other receivables and prepayments	**47.4**	39.1
VAT receivable	**35.5**	22.3
Receivables due after 1 year	**1.1**	1.1
	696.1	706.1

All receivable balances are due within 1 year except for **€1.1m** (2012: €1.1m) outlined above. All receivable balances are within terms with the exception of trade receivables which are past due and are detailed below.

The following table shows an analysis of trade receivables split between past due and within terms accounts, where past due is deemed to be when an account exceeds the agreed terms of trade:

	2013 €'m	2012 €'m
Within terms	**521.6**	479.5
Past due not more than 1 month	**66.8**	125.6
Past due more than 1 month but less than 2 months	**16.7**	26.9
Past due more than 2 months but less than 3 months	**5.9**	6.0
Past due more than 3 months	**1.1**	5.6
Trade receivables (net)	**612.1**	643.6

The following table summarises the movement in the allowance for doubtful trade receivables:

	2013 €'m	2012 €'m
At beginning of year	26.7	24.5
Charged to the Consolidated Income Statement	**6.3**	11.1
Utilised or reversed during the year	**(7.7)**	(8.7)
Exchange translation adjustment	**(2.2)**	(0.2)
At end of year	**23.1**	26.7

Trade and other receivables are stated at amortised cost, which approximates to fair value given the short term nature of these assets. Hence, the maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable.

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

The quality of past due not impaired trade and other receivables is considered good, therefore no significant impairment charge has been recorded in the Consolidated Income Statement in 2013 or 2012.

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

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

19. Trade and other payables

	Group 2013 €'m	Group 2012 €'m	Company 2013 €'m	Company 2012 €'m
Trade payables	**988.1**	985.9	**–**	–
Other payables and accruals	**154.4**	144.0	**0.7**	0.6
Deferred payments on acquisition of subsidiaries	**15.1**	9.2	**5.9**	5.9
PAYE	**5.8**	5.3	**–**	–
Social security costs	**4.9**	5.4	**–**	–
Amounts due to Group companies	**–**	–	**4.7**	5.3
	1,168.3	1,149.8	**11.3**	11.8

Trade and other payables are stated at amortised cost, which approximates to fair value given the short term nature of these liabilities. The above balances are all due within 1 year.

20. Deferred income

	Notes	Group 2013 €'m	Group 2012 €'m	Company 2013 €'m	Company 2012 €'m
Capital grants					
At beginning of year		23.4	23.7	0.2	0.2
Transfer to held for sale	17	**(1.2)**	–	**–**	–
Disposals/businesses disposed		**–**	(0.9)	**–**	–
Grants received		**1.2**	3.2	**–**	–
Amortised during year	3	**(2.4)**	(2.6)	**(0.1)**	–
Exchange translation adjustment	30	**(0.2)**	–	**–**	–
At end of year		**20.8**	23.4	**0.1**	0.2
Analysed as:					
Current liabilities		**2.3**	2.3	**–**	–
Non-current liabilities		**18.5**	21.1	**0.1**	0.2
		20.8	23.4	**0.1**	0.2

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

21. Other non-current liabilities

	Group 2013 €'m	Group 2012 €'m	Company 2013 €'m	Company 2012 €'m
Other payables and accruals	**52.5**	58.5	**–**	–
Deferred payments on acquisition of subsidiaries	**0.5**	1.6	**–**	–
Amounts due to Group companies	**–**	–	**97.3**	100.0
	53.0	60.1	**97.3**	100.0

All of the above balances are due within 2 to 5 years except for **€2.2m** (2012: €12.3m) which is not due until after 5 years.

22. Analysis of financial instruments by category

The following table outlines the financial assets and liabilities held by the Group at the balance sheet date:

	Notes	Loans & Receivables & Other Financial Assets/ (Liabilities) at Amortised Cost 2013 €'m	Assets/ (Liabilities) at Fair Value through Profit or Loss 2013 €'m	Derivatives Designated as Hedging Instruments 2013 €'m	Available-for-sale Investments 2013 €'m	Total 2013 €'m
Group:						
Financial asset investments	13	–	17.3	–	4.1	21.4
Forward foreign exchange contracts	23	–	8.5	1.7	–	10.2
Interest rate swaps	23	–	–	39.4	–	39.4
Trade and other receivables	18	696.1	–	–	–	696.1
Cash at bank and in hand	23	245.8	–	–	–	245.8
Total financial assets		941.9	25.8	41.1	4.1	1,012.9
Current assets		941.9	8.5	1.7	–	952.1
Non-current assets		–	17.3	39.4	4.1	60.8
		941.9	25.8	41.1	4.1	1,012.9
Borrowings	23	(1,324.7)	(0.9)	–	–	(1,325.6)
Forward foreign exchange contracts	23	–	(5.7)	(2.5)	–	(8.2)
Interest rate swaps	23	–	(1.1)	(41.6)	–	(42.7)
Trade and other payables	19	(1,168.3)	–	–	–	(1,168.3)
Total financial liabilities		(2,493.0)	(7.7)	(44.1)	–	(2,544.8)
Current liabilities		(1,211.8)	(6.8)	(2.5)	–	(1,221.1)
Non-current liabilities		(1,281.2)	(0.9)	(41.6)	–	(1,323.7)
		(2,493.0)	(7.7)	(44.1)	–	(2,544.8)
Total net financial (liabilities)/assets		(1,551.1)	18.1	(3.0)	4.1	(1,531.9)

Included in the above table are the following components of net debt:

Analysis of total net debt by category					
Bank loans	(116.3)	–	–	–	(116.3)
Senior notes	(1,208.4)	(0.9)	–	–	(1,209.3)
Borrowings	(1,324.7)	(0.9)	–	–	(1,325.6)
Interest rate swaps	–	(1.1)	(2.2)	–	(3.3)
Cash at bank and in hand	245.8	–	–	–	245.8
Total net debt	(1,078.9)	(2.0)	(2.2)	–	(1,083.1)

In 2013 and 2012 all Group borrowings are guaranteed by Kerry Group plc and its material asset holding companies through a cross-guarantee structure. No assets of the Group have been pledged to secure the borrowings.

22. Analysis of financial instruments by category (continued)

As part of the Group's debt portfolio it holds US$750m of senior notes issued in 2013 and US$600m of senior notes issued in 2010. At the time of issuance, US$250m of the 2013 senior notes and US$500m of the 2010 senior notes were swapped, using cross currency swaps, to euro. Since issuance, there has been no impact on the Consolidated Income Statement arising from foreign exchange rate movements as the hedge accounting applied on the open cross currency swaps has resulted in the recognition of a total accumulated fair value gain to date of **€12.3m** (2012: €42.8m), directly offset by a total accumulated fair value charge to date of **€12.3m** (2012: €42.8m) resulting from the translation of the underlying hedged foreign currency borrowings at the balance sheet rates.

The adjustment to senior notes classified under liabilities at fair value through profit or loss of **€0.9m** (2012: €43.6m) represents the part adjustment to the carrying value of debt from applying fair value hedge accounting for interest rate risk. This amount is primarily offset by the fair value adjustment on the underlying cross currency interest rate swap.

	Notes	Loans & Receivables & Other Financial Assets/ (Liabilities) at Amortised Cost 2012 €'m	Assets/ (Liabilities) at Fair Value through Profit or Loss 2012 €'m	Derivatives Designated as Hedging Instruments 2012 €'m	Available-for-sale Investments 2012 €'m	Total 2012 €'m
Group:						
Financial asset investments	13	–	14.7	–	4.1	18.8
Forward foreign exchange contracts	23	–	4.7	5.3	–	10.0
Interest rate swaps	23	–	–	86.1	–	86.1
Trade and other receivables	18	706.1	–	–	–	706.1
Cash at bank and in hand	23	215.4	–	–	–	215.4
Total financial assets		921.5	19.4	91.4	4.1	1,036.4
Current assets		921.5	4.7	5.3	–	931.5
Non-current assets		–	14.7	86.1	4.1	104.9
		921.5	19.4	91.4	4.1	1,036.4
Borrowings	23	(1,456.5)	(43.6)	–	–	(1,500.1)
Forward foreign exchange contracts	23	–	(0.9)	(0.6)	–	(1.5)
Interest rate swaps	23	–	–	(12.2)	–	(12.2)
Trade and other payables	19	(1,149.8)	–	–	–	(1,149.8)
Total financial liabilities		(2,606.3)	(44.5)	(12.8)	–	(2,663.6)
Current liabilities		(1,362.5)	(0.9)	(0.9)	–	(1,364.3)
Non-current liabilities		(1,243.8)	(43.6)	(11.9)	–	(1,299.3)
		(2,606.3)	(44.5)	(12.8)	–	(2,663.6)
Total net financial (liabilities)/assets		(1,684.8)	(25.1)	78.6	4.1	(1,627.2)

22. Analysis of financial instruments by category (continued)

Included in the above table are the following components of net debt:

	Loans & Receivables & Other Financial Assets/ (Liabilities) at Amortised Cost 2012 €'m	Assets/ (Liabilities) at Fair Value through Profit or Loss 2012 €'m	Derivatives Designated as Hedging Instruments 2012 €'m	Available-for-sale Investments 2012 €'m	Total 2012 €'m
Analysis of total net debt by category					
Bank loans	(585.6)	–	–	–	(585.6)
Senior notes	(870.9)	(43.6)	–	–	(914.5)
Borrowings	(1,456.5)	(43.6)	–	–	(1,500.1)
Interest rate swaps	–	–	73.9	–	73.9
Cash at bank and in hand	215.4	–	–	–	215.4
Total net debt	(1,241.1)	(43.6)	73.9	–	(1,210.8)

The following table outlines the financial assets and liabilities held by the Company at the balance sheet date:

	Note	**2013 €'m**	2012 €'m
Company:			
Loans & receivables & other financial assets at amortised cost			
Cash at bank and in hand		**–**	0.1
Total financial assets		**–**	0.1
Current assets		**–**	0.1
Financial liabilities at amortised cost			
Borrowings and overdrafts		**(0.3)**	–
Trade and other payables	19	**(11.3)**	(11.8)
Total financial liabilities		**(11.6)**	(11.8)
Current liabilities		**(11.6)**	(11.8)
Total net financial liabilities		**(11.6)**	(11.7)

23. Financial instruments

Capital management

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

The capital structure of the Group consists of debt related financial liabilities, cash and cash equivalents and equity attributable to owners of the parent, comprising issued capital, reserves and retained earnings as disclosed in the Consolidated Statement of Changes in Equity. In April 2013, the Group successfully issued a 10 year US$750m debut public bond. The senior notes issuance is listed on the Irish Stock Exchange and is rated by Standard & Poor's and Moody's. The facility was used to retire existing debt including the US$230m Tranche B 2003 Senior Notes that matured on 30 April 2013 and also to decrease the level of utilisation on the syndicate revolving credit facility.

Capital is managed by setting net debt to earnings before interest, taxes, depreciation, impairment, amortisation and non-trading items (EBITDA) targets while allowing flexibility to accommodate significant acquisition opportunities. Any expected variation from these targets should be reversible within 12 to 18 months; otherwise consideration would be given to issuing additional equity in the Group.

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

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

— the ratio of net debt to EBITDA of a maximum of 3.5 times; and

— EBITDA to net interest charge of a minimum of 4.75 times.

At 31 December these ratios were as follows:

	2013 **Times**	2012 (Restated)* Times
Net debt : EBITDA	**1.5**	1.8
EBITDA : Net interest	**13.3**	13.9

*Comparatives have been restated to reflect the adoption of IAS 19 (2011) 'Employee Benefits' (refer to note 1 and note 26).

Financial risk management objectives

The Group has a clearly defined Financial Risk Management Programme, which is approved by the Board of Directors and is subject to regular monitoring by the Finance Committee and Group Internal Audit. The Group operates a centralised treasury function, which manages the principal financial risks of the Group and Company.

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

— to manage the Group's exposure to foreign exchange rate risk;

— to manage the Group's exposure to interest rate risk;

— to ensure that the Group has sufficient credit facilities available; and

— to ensure that counterparty credit risk is monitored and managed.

Residual exposures not managed commercially are hedged using approved financial instruments. The use of financial derivatives is governed by the Group's policies and procedures. The Group does not engage in speculative trading.

23. 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.

As at 31 December, the Group had an exposure to US dollar asset of **€32.0m** (2012: €6.7m) and a sterling liability of **€16.1m** (2012: €0.7m). Based on these net positions, as at 31 December 2013, a weakening of 5% of the US dollar and sterling against all other key operational currencies, and holding all other items constant, would have decreased the profit of the Group before taxation and non-trading items for the year by €0.8m (2012: €0.3m).

The Group's gain or loss on the retranslation of the net assets of foreign currency subsidiaries is taken directly to the translation reserve. As at 31 December 2013 a 5% strengthening of the euro against the US dollar and sterling, holding all other items constant, would have resulted in an additional translation reserve loss of €6.9m (2012: €7.6m) and €10.1m (2012: €11.8m) respectively.

Forward foreign exchange contracts – cash flow hedges
The Group's activities expose it to risks of changes in foreign currency exchange rates in relation to international trading, primarily sales in US dollar and sterling out of the Eurozone. The Group uses forward foreign exchange contracts to hedge these exposures. Derivative financial instruments are held in the Consolidated Balance Sheet at their fair value.

The following table details the foreign exchange contracts classified as cash flow hedges at 31 December:

	Fair Value (Liability)/Asset		Notional Principal	
	2013 €'m	2012 €'m	**2013 €'m**	2012 €'m
Forward foreign exchange contracts	**(0.8)**	4.7	**189.5**	246.7

At 31 December 2013, an asset of **€0.2m** (2012: €4.1m) of the fair value is included in the hedging reserve, which will primarily be released to the Consolidated Income Statement within **10 months** (2012: 9 months) of the balance sheet date. All forward contracts relate to sales revenue and purchases made in their respective currencies.

During 2013, a gain of **€8.3m** (2012: €3.6m loss) has been taken to foreign exchange gains/(losses) in the Consolidated Income Statement in respect of forward foreign exchange contracts that matured during the year. There were no transactions during 2013 or 2012 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 2012 were released to the Consolidated Income Statement in 2013 as follows:

— within 3 months: **€0.4m** (2012: (€0.5m));
— within 3 to 6 months: **€1.7m** (2012: (€0.5m));
— within 6 to 9 months: **€2.0m** (2012: (€0.2m)); and
— within 9 to 12 months: **€nil** (2012: (€0.1m)).

At 31 December 2013 and 2012 no ineffectiveness was recognised in the Consolidated Income Statement from foreign currency cash flow hedges.

23. Financial instruments (continued)

(i) Foreign exchange rate risk management *(continued)*

Forward foreign exchange contracts – trading

The Group holds forward foreign exchange contracts that provide a hedge against foreign currency receivables from 'within Group' lending. These derivatives are classified as trading derivatives and held at fair value through profit or loss. In addition, as at 31 December 2013 the Group held a portfolio of forward foreign currency contracts that provide an economic hedge against expected future sales revenue in the respective currencies of the underlying contracts which were not classified for hedge accounting.

The following table details the forward foreign exchange contracts classified as trading derivatives at 31 December:

	Fair Value Asset		Notional Principal	
	2013 €'m	2012 €'m	**2013 €'m**	2012 €'m
Forward foreign exchange contracts	**2.8**	3.8	**726.6**	418.1

The fair value gain of **€2.8m** (2012: €3.8m) includes a gain of **€3.7m** which is directly offset by a loss of **€3.7m** (2012: €3.8m) on the retranslation to balance sheet rates on foreign currency receivables from within Group lending. The balance of **€0.9m** (2012: €nil) relates to other economic hedges as outlined above.

(ii) Interest rate risk management

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

Interest rate profile of financial liabilities excluding related derivatives fair value

The Group's exposure to interest rates on financial assets and liabilities are detailed in the table below including the impact of cross currency swaps (CCS) on the currency profile of net debt:

	Total Pre CCS €'m	**Impact of CCS €'m**	**Total after CCS €'m**	**Floating Rate Debt €'m**	**Fixed Rate Debt €'m**
Euro	**(59.0)**	**543.8**	**484.8**	**177.8**	**307.0**
Sterling	**(58.6)**	**–**	**(58.6)**	**(58.6)**	**–**
US Dollar	**1,222.4**	**(543.8)**	**678.6**	**207.3**	**471.3**
Others	**(25.9)**	**–**	**(25.9)**	**(25.9)**	**–**
At 31 December 2013	**1,078.9**	**–**	**1,078.9**	**300.6**	**778.3**

	Total Pre CCS €'m	Impact of CCS €'m	Total after CCS €'m	Floating Rate Debt €'m	Fixed Rate Debt €'m
Euro	301.8	378.9	680.7	452.0	228.7
Sterling	108.3	–	108.3	108.3	–
US Dollar	867.7	(378.9)	488.8	34.0	454.8
Others	(36.7)	–	(36.7)	(36.7)	–
At 31 December 2012	1,241.1	–	1,241.1	557.6	683.5

23. Financial instruments (continued)

(ii) Interest rate risk management *(continued)*

The currency profile of debt highlights the impact of the US$750m of cross currency swaps entered into at the time of issuance of senior notes. For the 2013 senior notes, US$250m were swapped from US dollar fixed to euro fixed and are accounted for as cash flow hedges. For the 2010 senior notes, US$408m were swapped from US dollar fixed to euro floating and are accounted for as fair value hedges. In addition US$92m were swapped from US dollar fixed to euro fixed and are accounted for as cash flow hedges. The retranslation of the foreign currency debt of US$750m to the balance sheet rate resulted in a foreign currency loss of **€12.3m** (2012: €42.8m) which is directly offset by a gain of **€12.3m** (2012: €42.8m) on the application of hedge accounting on the cross currency swaps as detailed below.

The weighted average interest rate for fixed borrowings as at 31 December 2013 is **3.01%** (2012: 3.29%) and the weighted average period for which the rate is fixed is **5.4 years** (2012: 2.2 years).

The floating rate financial liabilities are at rates which fluctuate mainly based upon LIBOR and comprise of bank borrowings and other financial liabilities bearing interest rates fixed in advance for periods ranging from 1 to 6 months. At the year end **28%** (2012: 45%) 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 2014 holding all other items constant, the profit of the Group before taxation and non-trading items in the Consolidated Income Statement could decrease by 0.6% (2012: 1.1%).

Interest rate swap contracts

The Group's activities expose it to risks of changes in interest rates in relation to long-term debt. The Group uses interest rate swaps, cross currency swaps and forward rate agreements to hedge these exposures. Derivative financial instruments are held in the Consolidated Balance Sheet at their fair values.

During 2013, the Group decreased the level of utilisation on the syndicate revolving credit facility arising from the proceeds from the issuance of the 2013 senior notes, of which €100.0m were classified in a hedging relationship. As the underlying hedged item no longer exists the related interest rate derivatives are classified as trading derivatives and held at fair value through profit or loss and disclosed as hedge ineffectiveness in finance income and costs (note 6).

In 2013, the Group adopted an 'exit price' approach to valuing interest rate derivatives to allow for credit risk. The adjustment for hedge ineffectiveness to cash flow hedges was offset by the adjustment in relation to the fair value hedges. All hedges are deemed to be highly effective on a prospective and retrospective basis.

The following table details the interest rate derivatives classified as trading derivatives at 31 December:

	Average Contracted Fixed Interest Rate		Fair Value Liability		Notional Principal	
	2013 %	2012 %	**2013 €'m**	2012 €'m	**2013 €'m**	2012 €'m
Interest rate derivatives						
less than 1 year	**2.08**	–	**(1.1)**	–	**100.0**	–
Total			**(1.1)**	–	**100.0**	–

All other interest rate derivatives are accounted for using hedge accounting.

23. Financial instruments (continued)

***(ii) Interest rate risk management** (continued)*

Cash flow hedges

Under interest rate swap contracts, including cross currency interest rate swaps, the Group agrees to exchange the difference between the fixed and floating rate interest amounts calculated on the agreed notional principal amounts.

The following table details the notional principal amounts and remaining terms of the cash flow hedges, where the Group receives floating or fixed interest rate and pays fixed interest rate on swaps as at 31 December:

	Average Contracted Fixed Interest Rate		Fair Value (Liability)/Asset		Notional Principal	
	2013	2012	**2013**	2012	**2013**	2012
	%	%	**€'m**	€'m	**€'m**	€'m
Interest rate swap contracts						
less than 1 year	**–**	1.12	**–**	(0.3)	**–**	151.6
1 – 2 years	**1.86**	2.08	**(5.2)**	(3.0)	**276.5**	100.0
2 – 5 years	**4.38**	2.35	**4.6**	(1.4)	**66.7**	356.1
> 5 years	**2.58**	–	**(21.7)**	–	**181.3**	–
Total			**(22.3)**	(4.7)	**524.5**	607.7

Of the fair value liability of **€22.3m** at 31 December 2013 (2012: €4.7m), a loss of **€9.2m** (2012: €7.8m gain) is attributed to foreign exchange rate fluctuations. The current year foreign exchange loss of **€17.0m** (2012: €1.7m) has been recognised in the Consolidated Income Statement and directly offsets the gain incurred on the retranslation of the underlying hedged foreign currency borrowings.

At 31 December 2013 a liability of **€15.4m** (2012: €12.5m) has been recognised in the hedging reserve and will be released to the Consolidated Income Statement over the life of the interest rate swaps. During 2013, a charge of **€1.8m** (2012: €1.3m) has been taken to finance costs in the Consolidated Income Statement in respect of amounts held in the hedging reserve at 31 December 2012. The balance relates to the recognition to hedge ineffectiveness for credit risk and is recognised in the Consolidated Income Statement.

The interest rate swaps settle on either a 3 or 6 monthly basis, the difference between the floating rate or fixed rate due to be received and the fixed rate to be paid are settled on a net basis.

23. Financial instruments (continued)

(ii) Interest rate risk management *(continued)*

Fair value hedges

Under interest rate swap contracts including cross currency interest rate swaps, the Group agrees to exchange the difference between the floating and fixed interest amounts calculated on the agreed notional principal amounts.

The following table details the notional principal amounts and remaining terms of the fair value hedges, where the Group receives fixed interest rate and pays floating interest rate on swaps as at 31 December:

	Average Contracted Fixed Interest Rate		Fair Value Asset		Notional Principal	
	2013	2012	**2013**	2012	**2013**	2012
	%	%	**€'m**	€'m	**€'m**	€'m
Interest rate swap contracts						
> 5 years	**4.26**	4.91	**20.1**	78.6	**477.2**	309.2

The interest rate swaps settle on a 6 monthly basis. The floating interest rate paid by the Group is based on 6 month EURIBOR. All hedges are deemed to be highly effective on a prospective and retrospective basis.

Of the fair value asset of **€20.1m** (2012: €78.6m) at 31 December 2013, a gain of **€21.5m** (2012: €35.0m) is attributed to foreign exchange rate fluctuations. The current year foreign exchange loss of **€13.5m** (2012: €7.0m) has been recognised in the Consolidated Income Statement to directly offset the gain incurred on the retranslation of the underlying hedged foreign currency borrowings. In addition an amount of **€0.9m** (2012: €43.6m) relates to interest rate risk and the current year movement has been recognised in the Consolidated Income Statement. This is directly offset against the fair value adjustment to the underlying hedged foreign currency borrowings for interest rate risk. The balance relates to the recognition of hedge ineffectiveness for credit risk and is recognised in the Consolidated Income Statement.

(iii) Liquidity risk management

Liquidity risk considers the risk that the Group could encounter difficulties in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. There is no significant concentration of liquidity risk.

Group funding and liquidity is managed by ensuring that sufficient facilities are available from diverse funding sources with an appropriate spread of debt maturities to match the underlying assets. The Group uses cash flow forecasts to constantly monitor the funding requirements of the Group.

Group businesses are funded from cash generated from operations, borrowings from banks and senior notes from capital markets. It is Group policy to ensure that:

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

Both targets were met at 31 December 2013 and 2012.

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 2013, the Group had undrawn committed bank facilities of **€927.0m** (2012: €449.0m), and a portfolio of undrawn standby facilities amounting to **€315.0m** (2012: €292.0m). The undrawn committed facilities comprise primarily of a revolving credit facility maturing between **2 – 3 years** (2012: between 3 – 4 years).

23. Financial instruments (continued)

***(iii) Liquidity risk management** (continued)*

The following table details the Group's remaining contractual maturity of its non-derivative financial instruments excluding trade and other receivables (note 18), trade and other payables (note 19) and financial asset investments (note 13). This information has been drawn up based on the undiscounted cash flows of financial liabilities to the earliest date on which the Group can be required to repay. The analysis includes both interest commitments and principal cash flows. To the extent that interest rates are floating, the rate used is derived from interest rate yield curves at the end of the reporting date and as such, are subject to change based on market movements.

	On demand & up to 1 year €'m	Up to 2 years €'m	2 – 5 years €'m	> 5 years €'m	Total €'m
Bank loans	43.5	–	72.8	–	116.3
Senior notes	–	233.9	139.2	835.3	1,208.4
Borrowings	43.5	233.9	212.0	835.3	1,324.7
Deferred payments on acquisition of subsidiaries	15.1	0.5	–	–	15.6
	58.6	234.4	212.0	835.3	1,340.3
Interest commitments	50.9	40.9	102.6	112.4	306.8
At 31 December 2013	**109.5**	**275.3**	**314.6**	**947.7**	**1,647.1**
Reconciliation to net debt position:					
Borrowings	43.5	233.9	212.0	835.3	1,324.7
Interest rate swaps	1.1	5.2	(4.6)	1.6	3.3
Senior notes – fair value adjustment	–	–	–	0.9	0.9
Cash at bank and in hand	(245.8)	–	–	–	(245.8)
Total net debt as at 31 December 2013	**(201.2)**	**239.1**	**207.4**	**837.8**	**1,083.1**

	On demand & up to 1 year €'m	Up to 2 years €'m	2 – 5 years €'m	> 5 years €'m	Total €'m
Bank loans	38.4	–	547.2	–	585.6
Senior notes	174.3	–	387.3	309.3	870.9
Borrowings	212.7	–	934.5	309.3	1,456.5
Deferred payments on acquisition of subsidiaries	9.2	1.0	–	0.6	10.8
	221.9	1.0	934.5	309.9	1,467.3
Interest commitments	43.5	41.2	70.8	55.0	210.5
At 31 December 2012	265.4	42.2	1,005.3	364.9	1,677.8
Reconciliation to net debt position:					
Borrowings	212.7	–	934.5	309.3	1,456.5
Interest rate swaps	0.3	3.0	1.4	(78.6)	(73.9)
Senior notes – fair value adjustment	–	–	–	43.6	43.6
Cash at bank and in hand	(215.4)	–	–	–	(215.4)
Total net debt as at 31 December 2012	(2.4)	3.0	935.9	274.3	1,210.8

23. Financial instruments (continued)

(iii) Liquidity risk management *(continued)*

The following table details the Group's remaining contractual maturity of its derivative financial instruments. The table has been drawn up based on the undiscounted net cash inflows and outflows on derivative instruments that settle on a net basis. To the extent that the amounts payable or receivable are not fixed, the rate used is derived from interest rate yield curves at the end of the reporting date and as such are subject to change based on market movements.

	On demand & up to 1 year €'m	**Up to 2 years €'m**	**2 – 5 years €'m**	**> 5 years €'m**	**Total €'m**
Interest rate swaps inflow	**30.2**	**29.5**	**86.3**	**109.2**	**255.2**
Interest rate swaps outflow	**(22.8)**	**(17.9)**	**(50.7)**	**(86.8)**	**(178.2)**
Net interest rate swaps inflow	**7.4**	**11.6**	**35.6**	**22.4**	**77.0**
Forward foreign exchange contracts inflow	**2.0**	**–**	**–**	**–**	**2.0**
At 31 December 2013	**9.4**	**11.6**	**35.6**	**22.4**	**79.0**

	On demand & up to 1 year €'m	Up to 2 years €'m	2 – 5 years €'m	> 5 years €'m	Total €'m
Interest rate swaps inflow	20.2	19.5	60.1	89.9	189.7
Interest rate swaps outflow	(16.7)	(15.0)	(23.3)	(24.7)	(79.7)
Net interest rate swaps inflow	3.5	4.5	36.8	65.2	110.0
Forward foreign exchange contracts inflow	8.5	–	–	–	8.5
At 31 December 2012	12.0	4.5	36.8	65.2	118.5

Included in the interest rate swaps inflows and outflows is the foreign currency differential on final maturity of the cross currency interest rate swaps as follows:

Swap inflows

— 2 – 5 years – swap inflows of **€4.9m** (2012: €7.8m)

— Greater than 5 years – swap inflows of **€21.5m** (2012: €35.0m)

Swap outflows

— Greater than 5 years – swap outflows of **€14.1m** (2012: €nil)

23. Financial instruments (continued)

***(iii) Liquidity risk management** (continued)*

Summary of borrowing arrangements

(a) Bank loans

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

— Demand facilities;

— Syndicate revolving credit facilities of €1bn maturing between 2 – 3 years; and

— Bilateral term loans with maturities ranging up to 2 years.

(b) 2013 Senior notes

The Group issued a 10 year US debut public bond of US$750m with a maturity date on 9 April 2023.

(c) 2010 Senior notes

The Group placed US$600m of senior notes with US institutional investors in four tranches with maturity as follows:

— Tranche A of US$192m – maturing on 20 January 2017

— Tranche B of US$208m – maturing on 20 January 2020

— Tranche C of US$125m – maturing on 20 January 2022

— Tranche D of US$75m – maturing on 20 January 2025

(d) 2003 Senior notes

The Group placed US$650m senior notes with US institutional investors in 2003, Tranche A of US$114m matured on 30 April 2010 and Tranche B of US$230m matured on 30 April 2013. Tranche C of US$306m matures on 30 April 2015.

Both the committed syndicate facilities and the 2010 and 2003 senior notes have financial covenants attached to them. The Group was in full compliance with these covenants as at 31 December 2013 and 2012.

(iv) Credit risk management

Cash deposits and other financial assets give rise to credit risk on the amounts due from counterparties.

The Group controls and monitors the distribution of this exposure by ensuring that all financial instruments are held with reputable and financially secure institutions and that exposure to credit risk is distributed across a number of institutions. At 31 December 2013 and 2012 all cash, short-term deposits and other liquid investments had a maturity of less than 3 months.

Credit risk exposure to financial institutions is actively managed across the portfolio of institutions by setting appropriate credit exposure limits. These levels are applied in controlling the level of material surplus funds that are placed with counterparties and for controlling the institutions with which the Group enters into derivative contracts. The metric for setting credit exposure limits is based on credit default swaps for those financial institutions.

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

Trade receivables consist of a large number of customers, spread across diverse geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable at operating unit level at least on a monthly basis.

The Group's maximum exposure to credit risk consists of gross trade receivables (note 18), cash deposits (note 22) and other financial assets (note 22), which are primarily interest rate swaps and foreign exchange contracts.

In relation to credit risk on derivative financial instruments, where appropriate, the Group credit risk is actively managed across the portfolio of institutions through monitoring the credit default swaps (CDS) and setting appropriate credit exposure limits based on CDS levels. These levels are applied in controlling the level of material surplus funds that are placed with counterparties and for controlling institutions with which the Group enters into derivative contracts.

23. Financial instruments (continued)

(v) Price risk

The Group's exposure to equity securities price risk due to financial asset investments held is considered to be low as the level of securities held versus the Group's net assets is not material.

The Group purchases a variety of commodities which can experience price volatility. It is Group policy to manage commodity price risk commercially via back to back arrangements with customers, through forward purchasing and limited use of derivatives.

(vi) Fair value of financial instruments

(a) Fair value of financial instruments carried at fair value
Financial instruments recognised at fair value are analysed between those based on:

— quoted prices in active markets for identical assets or liabilities (Level 1);
— those involving inputs other than quoted prices included in Level 1 that are observable for the assets or liabilities, either directly (as prices) or indirectly (derived from prices) (Level 2); and
— those involving inputs for the assets or liabilities that are not based on observable market data (unobservable inputs) (Level 3).

	Level 1 2013 €'m	**Level 2 2013 €'m**	**Level 3 2013 €'m**	Level 1 2012 €'m	Level 2 2012 €'m	Level 3 2012 €'m
Financial assets						
Interest rate swaps	**–**	**39.4**	**–**	–	86.1	–
Forward foreign exchange contracts	**–**	**10.2**	**–**	–	10.0	–
Financial asset investments	**17.3**	**–**	**4.1**	14.7	–	4.1
Financial liabilities						
Forward foreign exchange contracts	**–**	**(8.2)**	**–**	–	(1.5)	–
Interest rate swaps	**–**	**(42.7)**	**–**	–	(12.2)	–

The reconciliation of Level 3 assets is provided in note 13. There have been no transfers between levels during the current and prior year.

(b) Fair value of financial instruments carried at amortised cost
Except as detailed in the following table, it is considered that the carrying amounts of financial assets and financial liabilities recognised at amortised cost in the financial statements approximate their fair values.

	Fair Value Hierarchy	**Carrying Amount 2013 €'m**	**Fair Value 2013 €'m**	Carrying Amount 2012 €'m	Fair Value 2012 €'m
Financial liabilities					
Senior notes – Public	Level 2	**(539.4)**	**(502.2)**	–	–
Senior notes – Private	Level 2	**(669.0)**	**(697.6)**	(870.9)	(939.1)

23. **Financial instruments** (continued)

(vi) Fair value of financial instruments *(continued)*

(c) Valuation principles

The fair value of financial assets and liabilities are determined as follows:

— assets and liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices;

— other financial assets and liabilities (excluding derivatives) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments; and

— derivative financial instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments. Forward foreign exchange contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates adjusted for counterparty credit risk, which is calculated based on credit default swaps of the respective counterparties. Interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates adjusted for counterparty credit risk which is calculated based on credit default swaps of the respective counterparties.

(vii) Offsetting financial instruments

The Group enters into derivative transactions under International Swaps and Derivatives Association (ISDA) master netting agreements. The ISDA agreements do not meet the criteria for offsetting in the Consolidated Balance Sheet. This is because the Group does not have any current legally enforceable right to offset recognised amounts, because the right to offset is enforceable only on the occurrence of future events such as a default on the bank loans or other credit events.

The following table sets out the carrying amounts of recognised financial instruments that are subject to the above agreements.

	Gross amounts of financial instruments in the Consolidated Balance Sheet €'m	Related financial instruments that are not offset €'m	Net amount €'m
31 December 2013			
Financial assets			
Forward foreign exchange contracts	**10.2**	**(3.6)**	**6.6**
Interest rate swaps	**39.4**	**(18.9)**	**20.5**
	49.6	**(22.5)**	**27.1**
Financial liabilities			
Forward foreign exchange contracts	**(8.2)**	**3.6**	**(4.6)**
Interest rate swaps	**(42.7)**	**18.9**	**(23.8)**
	(50.9)	**22.5**	**(28.4)**
31 December 2012			
Financial assets			
Forward foreign exchange contracts	10.0	(1.1)	8.9
Interest rate swaps	86.1	(8.1)	78.0
	96.1	(9.2)	86.9
Financial liabilities			
Forward foreign exchange contracts	(1.5)	1.1	(0.4)
Interest rate swaps	(12.2)	8.1	(4.1)
	(13.7)	9.2	(4.5)

24. Provisions

	Notes	Insurance €'m	Non-Trading Items €'m	Total €'m
Group:				
At 1 January 2012		54.4	4.8	59.2
Provided during year		7.7	13.4	21.1
Utilised during year		–	(1.0)	(1.0)
Exchange translation adjustment	30	0.7	–	0.7
At 31 December 2012		62.8	17.2	80.0
Provided during year		**6.6**	**93.9**	**100.5**
Utilised during year		**–**	**(17.2)**	**(17.2)**
Exchange translation adjustment	30	**(0.6)**	**–**	**(0.6)**
At 31 December 2013		**68.8**	**93.9**	**162.7**

	2013 €'m	2012 €'m
Analysed as:		
Current liabilities	**102.9**	42.3
Non-current liabilities	**59.8**	37.7
	162.7	80.0

Insurance

The Group operates a level of self-insurance and under these arrangements the Group retains certain insurance exposure up to predetermined self-insurance thresholds. These thresholds are reviewed on a regular basis to ensure they remain appropriate. The insurance provision represents amounts provided based on industry information, actuarial valuation and historical data in respect of claims that are classified as incurred but not reported and also the outstanding loss reserve. Both are covered by the Group's self-insurance schemes. The methodology of estimating the provision is periodically reviewed to ensure that the assumptions made continue to be appropriate. The utilisation of the provision is dependent on the timing of settlement of the outstanding claims. Historically, the average time for settlement of outstanding claims ranges from 3 – 6 years from claim date.

Non-trading items

Restructuring provisions relate primarily to non-trading items incurred in 2013, the majority of which related to redundancy and contract compensation owing to people who are in the process of transitioning out of the business. These costs are expected to be paid by the end of 2015.

25. Retirement benefits obligation

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

The Group operates defined benefit post-retirement schemes in a number of countries in which it operates, primarily in Ireland, the UK, the US 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 employees. Defined benefit schemes in Ireland, the UK, and the US are administered by Boards of Trustees. The Boards of Trustees comprise of representatives of the employees, the employer and independent trustees. These Boards are responsible for the management and governance of the plans including compliance with all relevant laws and regulations.

The values used in the Group's financial statements are based on the most recent actuarial valuations and have been updated by the individual schemes' independent and professionally qualified actuaries to incorporate the requirements of IAS 19 'Employee Benefits' in order to assess the liabilities of the various schemes as at 31 December 2013 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 in line with local requirements. The actuarial reports are not available for public inspection.

The plans expose the Group to actuarial risks such as interest rate risk, investment risk, inflation risk and mortality risk.

Interest rate risk

The calculation of the present value of the defined benefit obligation is sensitive to the discount rate. The discount rate is derived from the interest yield on high quality corporate bonds at the balance sheet date. Market conditions in recent years have resulted in decreasing discount rates which has significantly increased the present value of the defined benefit obligation. Such changes lead to volatility in the Group's Consolidated Balance Sheet, Consolidated Income Statement and Consolidated Statement of Recognised Income and Expense. It also results in increased funding required for the plans.

Investment risk

The net deficit recognised in the Consolidated Balance Sheet represents the present value of the defined benefit obligation less the fair value of the plan assets. When assets return a rate less than the discount rate this results in an increase in the net deficit. Currently the plans have a diversified portfolio of investments in equities, bonds and other types of investments. External investment consultants periodically conduct an investment review to determine the most appropriate asset allocation taking account of asset valuations, funding requirements, liability duration and the achievement of an appropriate return on assets.

Inflation risk

A significant proportion of the defined benefit obligation is linked to inflation. An increase in inflation rates will increase the defined benefit obligation. A portion of the plan assets are inflation-linked debt securities which will mitigate some of the effects of inflation.

Mortality risk

The present value of the defined benefit obligation is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the defined benefit obligation.

25. Retirement benefits obligation (continued)

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

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

	2013 **€'m**	2012 (Restated)* €'m
Service cost:		
— Current service cost relating to defined contribution schemes	**21.9**	17.1
— Current service cost relating to defined benefit schemes	**22.2**	23.0
— Past service gain	**(3.9)**	(2.2)
Net interest cost	**12.2**	12.9
Recognised in the Consolidated Income Statement	**52.4**	50.8
Remeasurements of the net defined benefit liability:		
— Positive return on plan assets (excluding amounts included in net interest cost)	**(65.5)**	(44.0)
— Experience gains on schemes' liabilities	**(3.8)**	(7.5)
— Actuarial (gains)/losses arising from changes in demographic assumptions	**(6.2)**	12.6
— Actuarial losses arising from changes in financial assumptions	**44.6**	83.5
Recognised in the Consolidated Statement of Recognised Income and Expense	**(30.9)**	44.6
Total	**21.5**	95.4

*Comparatives have been restated to reflect the adoption of IAS 19 (2011) 'Employee Benefits' (refer to note 1 and note 26).

The total service cost is included in total staff numbers and costs (note 4) and the net interest cost is included in finance income and costs (note 6).

Pension levy

During 2011, the Finance (No. 2) Act introduced an annual levy of 0.6% on the market value of assets held in pension schemes in Ireland from 2011 to 2014. The levy is payable on the value of assets at the previous year end date. The levy for 2013 in respect of defined benefit members was **€1.5m** and was paid out of the pension funds in September 2013 (2012: €1.6m). The pension levy has been paid by the members of the defined contribution and additional voluntary contribution schemes and has been passed to the members of the defined benefit schemes through benefit reductions as resolved by the Trustees.

25. Retirement benefits obligation (continued)

(b) Recognition in the Consolidated Balance Sheet

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

	31 December 2013 €'m	31 December 2012 (Restated)* €'m	1 January 2012 (Restated)* €'m
Present value of defined benefit obligation	**(1,256.9)**	(1,194.8)	(1,044.8)
Fair value of plan assets	**1,004.8**	883.2	764.2
Net recognised deficit in plans before deferred tax	**(252.1)**	(311.6)	(280.6)
Net related deferred tax asset	**44.8**	63.3	65.0
Net recognised deficit in plans after deferred tax	**(207.3)**	(248.3)	(215.6)

*Comparatives have been restated to reflect the adoption of IAS 19 (2011) 'Employee Benefits' (refer to note 1 and note 26).

(c) Financial and demographic assumptions

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

	2013 %	2012 %
Inflation assumption	**1.70 – 3.30**	1.70 – 2.80
Rate of increase in salaries	**2.20 – 5.00**	2.20 – 5.00
Rate of increase for pensions in payment and deferred pensions	**1.70 – 3.30**	1.70 – 3.00
Rate used to discount schemes' liabilities	**4.00 – 5.00**	3.50 – 4.65

The most significant demographic assumption is mortality. The mortality assumptions used are based on advice from the pension schemes' actuaries and reflect each scheme's population. The life expectancy of a member retiring at 31 December at age 65, now and in 20 years' time, which has been shown in range format to reflect the differing assumptions in each scheme, is as follows:

	2013 Years	2012 Years
Male – retiring now	**19 – 23**	19 – 23
Female – retiring now	**21 – 25**	21 – 25
Male – retiring in 20 years' time	**19 – 25**	19 – 25
Female – retiring in 20 years' time	**21 – 26**	21 – 26

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

25. Retirement benefits obligation (continued)

(c) Financial and demographic assumptions *(continued)*

The table below gives an approximate indication of the impact of a change in the principal financial actuarial assumptions (discount rate and inflation rate) and the principal demographic actuarial assumption (mortality). The present value of the defined benefit obligation has been calculated using the projected unit credit method, which is the same as that applied in calculating the defined benefit obligation recognised in the Consolidated Balance Sheet. The impact on the defined benefit obligation at 31 December 2013 is on the basis that only that assumption is changed with all other assumptions remaining unchanged. There have been no changes from the previous year in the methods and assumptions used in preparing the sensitivity analyses.

Assumption	Change in assumption	Impact on schemes' liabilities
Discount rate	Increase/decrease of 0.25%	Decrease/increase of 4.90%
Inflation rate	Increase/decrease of 0.25%	Increase/decrease of 4.00%
Mortality	Increase/decrease in life expectancy of 1 year	Increase/decrease of 2.60%

(d) Reconciliations for defined benefit plans

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

	Note	**2013** **€'m**	2012 (Restated)* €'m
Present value of the defined benefit obligation at beginning of year		(1,194.8)	(1,044.8)
Current service cost		**(22.2)**	(23.0)
Past service gain		**3.9**	2.2
Interest expense		**(50.9)**	(52.5)
Contributions by employees		**(9.2)**	(10.0)
Benefits paid		**33.4**	35.5
Remeasurements:			
— experience gains on schemes' liabilities		**3.8**	7.5
— actuarial gains/(losses) arising from changes in demographic assumptions		**6.2**	(12.6)
— actuarial losses arising from changes in financial assumptions		**(44.6)**	(83.5)
Other movements		**–**	(0.3)
Exchange translation adjustment	30	**17.5**	(13.3)
Present value of the defined benefit obligation at end of year		**(1,256.9)**	(1,194.8)
Present value of the defined benefit obligation at end of year that relates to:			
Wholly unfunded plans		**(20.7)**	(26.4)
Wholly or partly funded plans		**(1,236.2)**	(1,168.4)
		(1,256.9)	(1,194.8)

*Comparatives have been restated to reflect the adoption of IAS 19 (2011) 'Employee Benefits' (refer to note 1 and note 26).

The weighted average duration of the defined benefit obligation at 31 December 2013 is approximately **21 years** (2012: approximately 21 years).

25. Retirement benefits obligation (continued)

(d) Reconciliations for defined benefit plans (continued)

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

	Note	2013 €'m	2012 (Restated)* €'m
Fair value of plan assets at beginning of year		883.2	764.2
Interest income		**38.7**	39.6
Contributions by employer		**53.9**	50.6
Contributions by employees		**9.2**	10.0
Benefits paid		**(33.4)**	(35.5)
Remeasurement:			
— positive return on plan assets (excluding amounts included in net interest cost)		**65.5**	44.0
Exchange translation adjustment	30	**(12.3)**	10.3
Fair value of plan assets at end of year		**1,004.8**	883.2

*Comparatives have been restated to reflect the adoption of IAS 19 (2011) 'Employee Benefits' (refer to note 1 and note 26).

The actual return on plan assets during the year was **€104.2m** (2012: €83.5m).

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

	2013 €'m	2012 (Restated)* €'m
Equities	**647.1**	547.1
Government Bonds	**217.2**	201.0
Corporate Bonds	**96.0**	91.4
Fund of Hedge Funds	**37.9**	33.7
Other	**6.6**	10.0
Total fair value of pension schemes' assets	**1,004.8**	883.2

*Comparatives have been restated to reflect the adoption of IAS 19 (2011) 'Employee Benefits' (refer to note 1 and note 26).

The majority of equity securities and bonds have quoted prices in active markets. In addition, a very high proportion of the underlying assets in the funds of hedge funds are in the form of quoted securities. The schemes' assets are invested with professional investment managers or in insurance contracts. Investments in the Group's own financial instruments, if any, are solely at the discretion of the investment managers concerned. The actual amount of the Group's own financial instruments held by the pension schemes during 2013 and 2012 were not material. No property held by the pension schemes was occupied by the Group nor were any other pensions schemes' assets used by the Group during 2013 or 2012.

Employees with defined benefit pension schemes are required to contribute a fixed percentage of pensionable salary. The remaining contribution is partly funded by the Group's subsidiaries. The funding requirements are based on local legislation and the local actuarial measurement framework in place in each country. It is the responsibility of the Trustees to ensure plans are in compliance with such laws and regulations.

During the year ending 31 December 2014, the Group expects to make contributions of approximately €62.0m in relation to its defined benefit plans.

26. Change in accounting policy and reclassification

The Group adopted the amended IAS 19 'Employee Benefits' from 1 January 2013 with retrospective application, as required by the standard. The impact on the Group's 2012 results and financial position was as follows:

— an additional pension cost to the Consolidated Income Statement for the year ended 31 December 2012 of €8.6m. This is due to an increase in the net interest cost and the reduction in past service cost as the charge is no longer required. This also resulted in a reduction in the income tax charge to the Consolidated Income Statement and a corresponding decrease in deferred tax items taken directly to reserves in the Consolidated Statement of Recognised Income and Expense for the year ended 31 December 2012 of €2.3m.

— an increase in the net deficit with a corresponding impact on retained earnings of €2.8m as at 31 December 2012 and €3.1m as at 1 January 2012. This is due to unrecognised past service costs which are required to be recognised under the amended standard.

From 1 January 2013, with 2012 restated, the Group reports the net interest cost associated with defined benefit post-retirement schemes within finance costs in the Consolidated Income Statement, previously disclosed within staff costs. Under the amended IAS 19, the impact for the year ended 31 December 2012 results in a decrease in staff costs of €4.3m and a corresponding increase in finance costs of €12.9m.

	2012 €'m
Effect on the Consolidated Income Statement	
Decrease in pension cost included in staff costs	4.3
Increase in pension cost included in finance costs	(12.9)
Decrease in profit before taxation	(8.6)
Decrease in income taxes	2.3
Decrease in profit after taxation and attributable to owners of the parent	(6.3)
Decrease in earnings per A ordinary share	Cent
— basic	(3.6)
— diluted	(3.6)

	2012 €'m
Effect on the Consolidated Statement of Recognised Income and Expense	
Decrease in profit after taxation and attributable to owners of the parent	(6.3)
Increase in re-measurement on retirement benefits obligation	8.9
Decrease in deferred tax on items taken directly to reserves	(2.3)
Increase in total comprehensive income	0.3

	Retirement benefits obligation €'m	Shareholders' equity €'m
Effect on the Consolidated Balance Sheet		
Balance as reported as at 1 January 2012	(277.5)	1,845.3
Effect of IAS 19 (2011)	(3.1)	(3.1)
Restated balance as at 1 January 2012	(280.6)	1,842.2
Balance as reported as at 31 December 2012	(308.8)	2,017.2
Effect of IAS 19 (2011)	(2.8)	(2.8)
Restated balance as at 31 December 2012	(311.6)	2,014.4

There was no impact on the deferred tax asset relating to retirement benefits obligation.

26. Change in accounting policy and reclassification (continued)

	2012 €'m
Effect on the Consolidated Cash Flow Statement	
Increase in trading profit	4.3
Increase in pension contributions paid less pension expense	(4.3)
Change in net cash from operating activities	–

27. Share capital

	2013 €'m	2012 €'m
Group and Company:		
Authorised		
280,000,000 A ordinary shares of 12.50 cent each	**35.0**	35.0
Allotted, called-up and fully paid (A ordinary shares of 12.50 cent each)		
At beginning of year	21.9	21.9
Shares issued during year	**0.1**	–
At end of year	**22.0**	21.9

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

Shares issued

During 2013 a total of **96,415** (2012: 91,851) A ordinary shares, each with a nominal value of 12.50 cent, were issued at nominal value per share under the Long Term Incentive Plan.

The total number of shares in issue at 31 December 2013 was **175,723,078** (2012: 175,626,663).

Share buy back programme

At the 2013 Annual General Meeting shareholders passed a resolution authorising the Company to purchase up to 5% of its own issued share capital which was not exercised in the year. In 2013 and 2012 no shares were purchased under this programme.

28. Share-based payments

The Group operates two equity settled share-based payment plans. The first plan is the Group's Long Term Incentive Plan and the second is the element of the Group's Short Term Incentive Plan that is settled in shares/options after a 2 year deferral period. Details on each of these plans is outlined below.

The Group and the Company recognised an expense of **€4.8m** (2012: €2.4m) related to equity-settled share-based payment transactions in the Consolidated Income Statement during the year. The expectation of meeting performance criteria was taken into account when calculating this expense.

(a) Long Term Incentive Plan

2006 Long Term Incentive Plan scheme

The Group operates an equity-settled Long Term Incentive Plan (LTIP), under which an invitation to participate was made to Executive Directors and senior executives. These invitations were made on six occasions between 2006 and 2013. No further conditional awards will be made under this scheme after 2013. The proportion of each invitation which vests will depend on the Total Shareholder Return (TSR) and Adjusted Earnings Per Share (EPS) performance of the Group during a three year period ('the performance period'). A proportion of invitations made in 2010 vested during 2013.

Up to 50% of the shares/options subject to an invitation will vest according to the Group's TSR performance during the performance period measured against the TSR performance of a peer group of listed companies. The remaining 50% of the shares/options subject to an invitation will vest according to the Group's adjusted EPS growth performance compared with the inflation adjusted targets during the performance period. An invitation may lapse if a participant ceases to be employed within the Group before the vesting date.

2013 Long Term Incentive Plan scheme

In 2013 the Group introduced a new Long Term Incentive Plan that will replace the old scheme entirely from 2014 onwards. An invitation to participate was made to Executive Directors and senior executives. The proportion of each invitation which vests, will depend on the Adjusted Earnings Per Share (EPS) performance, Total Shareholder Return (TSR) and Return on Average Capital Employed (ROACE) of the Group during a three year period ('the performance period'). The invitations made in 2013 will potentially vest in 2016. 50% of the award will be issued at the date of vesting, with 50% being issued after a 2 year deferral period.

Up to 50% of the shares/options subject to an invitation will vest according to the Group's adjusted EPS growth compared with target during the performance period. Up to 30% of the shares/options subject to an invitation will vest according to the Group's TSR performance during the performance period measured against the TSR performance of a peer group of listed companies. The remaining 20% of the shares/options will vest according to the Group's ROACE versus predetermined targets. An invitation may lapse if a participant ceases to be employed within the Group before the vesting date.

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

	Note	**Number of Conditional Awards 2013**	Number of Conditional Awards 2012
Outstanding at beginning of year		365,890	460,966
Forfeited		**–**	(16,283)
Shares vested	27	**(58,604)**	(86,241)
Share options vested		**(77,963)**	(98,269)
New conditional awards		**249,479**	105,717
Outstanding at end of year		**478,802**	365,890

28. Share-based payments (continued)

	Note	Number of Share Options 2013	Number of Share Options 2012
Share options arising under the LTIP			
Outstanding at beginning of year		172,239	79,580
Vested		**77,963**	98,269
Exercised	27	**(37,811)**	(5,610)
Outstanding and exercisable at end of year		**212,391**	172,239

Share options under the LTIP scheme have an exercise price of 12.5 cent. The remaining weighted average life for share options outstanding is **4.75 years** (2012: 5.18 years). The weighted average share price at the date of exercise was **€44.52** (2012: €35.62).

At the invitation grant date, the fair value per conditional award and the assumptions used in the calculations are as follows:

	2013 LTIP Scheme	2006 LTIP Scheme			
	2013 Conditional Award at Grant Date	**2013 Conditional Award at Grant Date**	**2012 Conditional Award at Grant Date**	**2011 Conditional Award at Grant Date**	**2010 Conditional Award at Grant Date**
Conditional Award Invitation date	June/September 2013	March 2013	April 2012	March 2011	March 2010
Year of potential vesting	2016	2016	2015	2014	2013
Share price at grant date	€43.28/€44.90	€46.49	€33.45	€26.50	€23.75
Exercise price per share/options	€0.125	€0.125	€0.125	€0.125	€0.125
Expected volatility	21.3%/21.4%	22.6%	25.5%	32.6%	34.9%
Expected life	3 years	3 years	3 years	3 years	3 years
Risk free rate	0.4%/0.5%	0.2%	0.6%	1.9%	1.5%
Expected dividend yield	1.0%	1.0%	1.1%	1.2%	1.0%
Expected forfeiture rate	5.0%	5.0%	5.0%	5.0%	5.0%
Weighted average fair value at grant date	€34.40/€35.25	€33.75	€26.99	€21.28	€19.52
Valuation model	Monte Carlo Pricing	Monte Carlo Pricing	Monte Carlo Pricing	Monte Carlo Pricing	Monte Carlo Pricing

Expected volatility was determined by calculating the historical volatility of the Group's share price over the previous three years. Market based vesting conditions, such as the TSR condition, have been taken into account in establishing the fair value of equity instruments granted. Non-market based performance conditions, such as the EPS and ROACE conditions, were not taken into account in establishing the fair value of equity instruments granted, however the number of equity instruments included in the measurement of the transaction is adjusted so that the amount recognised is based on the number of equity instruments that eventually vest.

(b) Short Term Incentive Plan

In 2013 the Group's Short Term Incentive Plan for Executive Directors was amended to incorporate a share based payment element with 25% of the total bonus to be settled in shares/share options. The shares/options awarded as part of this scheme will be issued two years after the vesting date once a deferral period has elapsed. There are no further performance conditions relating to the shares/share options during the deferral period.

A share-based payment expense is recognised in the Consolidated Income Statement for the scheme to reflect the value of the bonus to be paid by way of shares/options. The first shares/options to be issued under the Short Term Incentive Plan, which relate to the 2013 financial year, will vest in 2014 and will be deferred until 2016.

29. Cash flow components

	Notes	Group 2013 €'m	Group 2012 (Restated)* €'m	Company 2013 €'m	Company 2012 €'m
Profit before taxation		**121.9**	315.5	**61.8**	92.1
Intangible asset amortisation	12	**28.1**	23.4	**–**	–
Acquisition integration and restructuring costs	5	**225.0**	120.2	**–**	–
Impairment of assets held for sale	5	**113.1**	–	**–**	–
Loss on disposal of businesses and non-current assets	5	**55.7**	37.8	**–**	–
Finance income	6	**(1.2)**	(1.1)	**–**	–
Finance costs	6	**68.8**	63.2	**–**	–
Trading profit		**611.4**	559.0	**61.8**	92.1

	Notes	Group 2013 €'m	Group 2012 (Restated)* €'m	Company 2013 €'m	Company 2012 €'m
Change in working capital					
(Increase)/decrease in inventories		**(79.7)**	18.7	**–**	–
(Increase)/decrease in trade and other receivables		**(16.6)**	15.8	**–**	–
Increase/(decrease) in trade and other payables		**57.5**	(43.1)	**(2.2)**	(35.1)
Share-based payment expense	28	**4.8**	2.4	**4.8**	2.4
		(34.0)	(6.2)	**2.6**	(32.7)

	Notes	Group 2013 €'m	Group 2012 (Restated)* €'m	Company 2013 €'m	Company 2012 €'m
Purchase of non-current assets					
Purchase of property, plant and equipment		**(162.4)**	(140.9)	**–**	–
Purchase of intangible assets	12	**(24.6)**	(22.8)	**–**	–
Purchase of financial assets	13	**(3.2)**	(3.8)	**–**	–
		(190.2)	(167.5)	**–**	–

	Notes	Group 2013 €'m	Group 2012 (Restated)* €'m	Company 2013 €'m	Company 2012 €'m
Net movement on bank borrowings					
Cash received		**666.0**	107.5	**–**	–
Cash paid		**(737.9)**	(196.1)	**–**	–
		(71.9)	(88.6)	**–**	–

	Notes	Group 2013 €'m	Group 2012 (Restated)* €'m	Company 2013 €'m	Company 2012 €'m
Cash and cash equivalents					
Cash at bank and in hand	22	**245.8**	215.4	**–**	0.1
Bank overdrafts	22	**–**	–	**(0.3)**	–
		245.8	215.4	**(0.3)**	0.1

*Comparatives have been restated to reflect the adoption of IAS 19 (2011) 'Employee Benefits' (refer to note 1 and note 26).

30. Effect of exchange translation adjustments

	Notes	2013 €'m	2012 €'m
Group:			
(Decrease)/increase in assets			
Property, plant and equipment	11	**(46.9)**	1.9
Intangible assets	12	**(74.2)**	(4.7)
Financial asset investments	13	**(0.6)**	(0.2)
Inventories		**(28.2)**	(0.6)
Trade and other receivables		**(32.1)**	4.1
Cash at bank and in hand		**(8.5)**	–
Decrease/(increase) in liabilities			
Trade and other payables		**69.3**	(9.0)
Tax liabilities		**1.0**	0.2
Financial liabilities		**29.3**	11.3
Retirement benefits obligation	25	**5.2**	(3.0)
Other non-current liabilities		**1.1**	1.3
Deferred tax liabilities	16	**1.6**	0.9
Deferred income	20	**0.2**	–
Provisions	24	**0.6**	(0.7)
Retained earnings		**(0.2)**	(1.8)
		(82.4)	(0.3)

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

31. Business combinations

During 2013, the Group completed five bolt on acquisitions, all of which are 100% owned by the Group.

	Notes	Acquiree's Carrying Amount Before Combination 2013 €'m	Fair Value Adjustments 2013 €'m	Total 2013 €'m
Recognised amounts of identifiable assets acquired and liabilities assumed:				
Non-current assets				
Property, plant and equipment	11	16.1	(4.5)	11.6
Brand related intangibles	12	5.7	35.1	40.8
Current assets				
Inventories		5.2	–	5.2
Trade and other receivables		6.5	–	6.5
Current liabilities				
Trade and other payables		(6.4)	(2.0)	(8.4)
Non-current liabilities				
Other non-current liabilities		(3.1)	(0.3)	(3.4)
Total identifiable assets		24.0	28.3	52.3
Goodwill	12			69.2
Total consideration				121.5
Satisfied by:				
Cash				111.5
Deferred payment				10.0
				121.5

The acquisition method of accounting has been used to consolidate the businesses acquired in the Group's financial statements. Given that the valuation of the fair value of assets and liabilities recently acquired is still in progress, the above values are determined provisionally. For the acquisitions completed in 2012, there have been no material revisions of the provisional fair value adjustments since the initial values were established.

The goodwill is attributable to the expected profitability, revenue growth, future market development and assembled workforce of the acquired businesses and the synergies expected to arise within the Group after the acquisition. **€41.6m** of goodwill recognised is expected to be deductible for income tax purposes.

Transaction expenses related to these acquisitions of **€2.0m** were charged against acquisition integration and restructuring costs in the Group's Consolidated Income Statement during the year. The cash figure above is net of **€0.6m** cash taken over at the date of acquisition.

The fair value of the financial assets includes trade and other receivables with a fair value and a gross contractual value of **€6.5m**.

In March 2013, the Group acquired Orley Foods, a leading supplier of sweet ingredient solutions to food manufacturers and foodservice providers in South Africa.

In December 2013, the Group acquired the business and certain assets of Wynnstarr, a specialist manufacturer of meat flavours for a range of customers primarily located in the US.

Additionally, the Group acquired small businesses in the US and Hungary during 2013.

Due to the rapid integration of the acquired businesses into the Group's current structure, involving all aspects of business activities such as manufacturing, commercial, finance and IT, separate disclosure of the acquisitions' revenues and profit or loss is impracticable.

32. Contingent liabilities

	2013 €'m	2012 €'m
Company:		
(a) Guarantees in respect of borrowings of subsidiaries	**1,324.7**	1,456.5

(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 37, in respect of all losses and liabilities as referred to in Section 5(c) of the Companies (Amendment) Act, 1986 for the financial year ending on 31 December 2013 or any amended financial period incorporating the said financial year. The Company has given similar indemnities in relation to its subsidiaries in the Netherlands and Luxembourg (Article 70 of the Luxembourg law of 19 December 2002 as amended), as set out in note 37. In addition, the Company has also availed of the exemption from filing subsidiary financial statements in Luxembourg.

The Company does not expect any material loss to arise from these guarantees and considers their fair value to be negligible.

33. Other financial commitments

(a) Commitments for the acquisition of property, plant, equipment and computer software at 31 December for which no provision has been made in the accounts are as follows:

	2013 €'m	2012 €'m
Group:		
Commitments in respect of contracts placed	**42.4**	25.5
Expenditure authorised by the Directors but not contracted for at year end	**107.5**	103.6
	149.9	129.1

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

	2013 €'m	2012 €'m
Within 1 year	**28.8**	28.9
Within 2 to 5 years	**51.1**	47.6
After 5 years	**17.8**	19.8
	97.7	96.3

The operating lease charges during 2013 amounted to **€27.5m** (2012: €28.7m).

The Group leases various buildings, plant and machinery and motor vehicles under non-cancellable lease arrangements. The Group has a number of leases but none of these leases are individually material. The leases have various terms, escalation clauses and renewal rights. The leases typically range from less than 1 year to 65 years.

34. Related party transactions

(a) 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 **€1.5m** (2012: €1.1m) and **€0.5m** (2012: €0.4m) respectively. The trading balance outstanding to the Group at the year end was **€0.04m** (2012: €0.05m).

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.

(b) Trading between Parent Company and subsidiaries

Transactions in the year between the Parent Company and its subsidiaries included dividends received of **€70.0m** (2012: €100.0m) and cost recharges of **€3.6m** (2012: €3.5m). The Parent Company has also provided a guarantee in respect of borrowings of subsidiaries which is disclosed in note 32.

(c) Trading with other related parties

Kerry Co-operative Creameries Limited is considered to be a related party of the Group as a result of its significant shareholding in the Parent Company and the number of Directors in common as detailed in the Report of the Directors. During 2013, dividends of **€10.4m** (2012: €10.0m) were paid to Kerry Co-operative Creameries Limited based on its shareholding.

(d) Transactions with key management personnel

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

In addition to their salaries and short term benefits, the Group also contributes to post retirement defined benefit plans on behalf of the Executive Directors and these Directors also participate in the Group's Long Term Incentive Plan (LTIP) (note 25 and 28).

Remuneration cost of key management personnel is as follows:

	2013 €'m	2012 €'m
Short-term benefits (salaries, fees and other short-term benefits)	**5.5**	5.4
Post-retirement benefits	**0.6**	0.7
LTIP accounting charge	**2.8**	1.7
Other long-term benefits	**–**	–
Termination benefits	**–**	–
Total	**8.9**	7.8

Details of the remuneration of the Group's individual Directors, together with the number of Kerry Group plc shares/options owned by them and their interest in the LTIP are set out in the Report of the Directors on pages 77 to 82.

Dividends totalling **€0.2m** (2012: €0.2m) were also received by key management personnel during the year, based on their personal interests in the shares of the company.

35. Events after the balance sheet date

Since the year end, the Group has proposed a final dividend of 28.00 cent per A ordinary share (note 10).

There have been no other significant events, outside the ordinary course of business, affecting the Group since 31 December 2013.

36. Reserves

Capital redemption reserve

Capital redemption reserve represents the nominal cost of the cancelled shares in 2007.

Capital conversion reserve fund

The capital conversion reserve fund represents the amount transferred to reserves as a result of renominalising the share capital of the Parent Company due to the euro conversion in 2002.

Share-based payment reserve

The share-based payment reserve relates to invitations made to employees to participate in the Group's Long Term Incentive Plan and the element of the Group's Short Term Incentive Plan that is settled in shares/options. Further information in relation to this share-based payment is set out in note 28.

Translation reserve

Exchange differences relating to the translation of the balance sheets of the Group's foreign currency operations from their functional currencies to the Group's presentation currency (euro) are recognised directly in other comprehensive income and accumulated in the translation reserve.

Hedging reserve

The hedging reserve represents the effective portion of gains and losses on hedging instruments from the application of cash flow hedge accounting for which the underlying hedged transaction is not impacting profit or loss. The cumulative deferred gain or loss on the hedging instrument is reclassified to profit or loss only when the hedged transaction affects the profit or loss.

Retained earnings

Retained earnings refers to the portion of net income which is retained by the Group rather than distributed to shareholders as dividends.

37. Principal subsidiaries

Country	Company Name	Nature of Business	Registered Office
Ireland	Breeo Brands Limited	Consumer Foods	1
	Breeo Enterprises Limited	Consumer Foods	1
	Breeo Foods Limited	Consumer Foods	1
	Carteret Investments	Investment	1
	Charleville Research Limited	Services	1
	Cuarto Limited	Ingredients & Flavours	1
	Dawn Dairies Limited	Consumer Foods	1
	Duffy Meats Limited	Consumer Foods	1
	Dynaboo Limited	Consumer Foods	1
	Fambee Limited	Consumer Foods	1
	Glenealy Farms (Turkeys) Limited	Consumer Foods	1
	Golden Vale Clare Limited	Investment	1
	Golden Vale Dairies Limited	Agribusiness	1
	Golden Vale Food Products Limited	Ingredients & Flavours	1
	Golden Vale Holdings Limited	Investment	1
	Golden Vale Investments Limited	Investment	1
	Golden Vale Limerick Limited	Consumer Foods	1
	Golden Vale Limited	Investment	1
	Henry Denny & Sons (Ireland) Limited	Consumer Foods	1
	Kerry Agribusiness Holdings Limited	Investment	1
	Kerry Agribusiness Trading Limited	Agribusiness	1
	Kerry Creameries Limited	Agribusiness	1
	Kerry Farm Supplies Limited	Agribusiness	1
	Kerry Food Ingredients (Cork) Limited	Ingredients & Flavours	1
	Kerry Group Business Services Limited	Services	1
	Kerry Group Financial Services	Services	1
	Kerry Group Services International Limited	Services	1
	Kerry Group Services Limited	Services	1
	Kerry Holdings (Ireland) Limited	Investment	1
	Kerry Ingredients & Flavours Limited	Ingredients & Flavours	1
	Kerry Ingredients (Ireland) Limited	Ingredients & Flavours	1
	Kerry Ingredients Holdings (Ireland) Limited	Investment	1
	Kerry Ingredients Trading Limited	Ingredients & Flavours	1
	Kerry Treasury Services Limited	Services	1
	Kerrykreem Limited	Consumer Foods	1
	Lifesource Foods Research Limited	Consumer Foods	1
	National Food Ingredients Limited	Ingredients & Flavours	1
	Newmarket Co-operative Creameries Limited	Ingredients & Flavours	1
	Newmarket Marketing Company Limited	Ingredients & Flavours	1
	Newmarket Farms Limited	Ingredients & Flavours	1
	Newmarket Retail Limited	Ingredients & Flavours	1
	Pixundo Limited	Consumer Foods	1
	Plassey Holdings Limited	Investment	1
	Platters Food Company Limited	Consumer Foods	1
	Princemark Holdings Limited	Services	1
	Quandu Limited	Consumer Foods	1
	Rye Developments Limited	Services	1
	Rye Investments Limited	Consumer Foods	1
	Rye Valley Foods Limited	Consumer Foods	1
	Snowcream (Midlands) Limited	Agribusiness	1
	Selamor Limited	Consumer Foods	1
	Tacna Investments Limited	Investment	1
	Trundu Limited	Consumer Foods	1
	William Blake Limited	Ingredients & Flavours	1
	Zenbury International Limited	Services	1

37. Principal subsidiaries (continued)

Country	Company Name	Nature of Business	Registered Office
UK	Breeo Food Products (NI) Limited	Consumer Foods	2
	Henry Denny & Sons (NI) Limited	Consumer Foods	2
	Dairy Produce Packers Limited	Ingredients & Flavours	3
	Golden Cow Dairies Limited	Consumer Foods	3
	Golden Vale (NI) Limited	Investment	3
	Leckpatrick Dairies Limited	Consumer Foods	3
	Leckpatrick Holdings Limited	Investment	3
	Diversity Foods Limited	Consumer Foods	4
	Kerry Foods Limited	Consumer Foods	4
	Kerry Foods Distribution Limited	Consumer Foods	4
	Kerry Holdings (U.K.) Limited	Investment	4
	Kerry Savoury Foods Limited	Consumer Foods	4
	Noon Group Limited	Consumer Foods	4
	Noon Products Limited	Consumer Foods	4
	Dairyborn Foods Limited	Ingredients & Flavours	5
	Cereal Innovations Limited	Ingredients & Flavours	6
	Dale Country Foods Limited	Ingredients & Flavours	6
	EBI Foods Limited	Ingredients & Flavours	6
	Gordon Jopling (Foods) Limited	Ingredients & Flavours	6
	Kerry Ingredients (U.K.) Limited	Ingredients & Flavours	6
	Kerry Ingredients Holdings (U.K.) Limited	Investment	6
	Titusfield Limited	Ingredients & Flavours	6
	Kerry Flavours UK Limited	Ingredients & Flavours	6
	Spicemanns Limited	Ingredients & Flavours	7
	Spring Thyme Oils Limited	Ingredients & Flavours	8
Belgium	Kerry Holdings Belgium	Ingredients & Flavours	9
Netherlands	Kerry (NL) B.V.	Ingredients & Flavours	10
	Kerry Group B.V.	Investment	10
Czech Republic	Kerry Ingredients & Flavours s.r.o.	Ingredients & Flavours	11
France	Kerry Foods France S.A.S.	Ingredients & Flavours	12
	Kerry Ingredients France S.A.S.	Ingredients & Flavours	13
	Kerry Ingredients Holdings (France) S.A.S.	Investment	13
	Kerry Savoury Ingredients France S.A.S.	Ingredients & Flavours	14
	Kerry Flavours France S.A.S.	Ingredients & Flavours	14
Germany	Kerry Food GmbH	Ingredients & Flavours	15
	Kerry Ingredients GmbH	Ingredients & Flavours	15
	SuCrest GmbH	Ingredients & Flavours	16
	Vicos Nahrungsmittel GmbH	Ingredients & Flavours	16
Belarus	Vitella Vitebsk	Ingredients & Flavours	17
Denmark	Cremo Ingredients A/S	Ingredients & Flavours	18
Italy	Kerry Ingredients & Flavours Italia S.p.A.	Ingredients & Flavours	19
Poland	Kerry Polska Sp. z.o.o.	Ingredients & Flavours	20
Hungary	Kerry Hungaria KFT.	Ingredients & Flavours	21
Luxembourg	Kerry Luxembourg S.a.r.l.	Services	22
	Zenbury International Limited S.a.r.l.	Services	22
Romania	Kerry Romania s.r.l.	Ingredients & Flavours	23
Russia	Kerry LLC	Ingredients & Flavours	24
	Sucrest LLC	Ingredients & Flavours	25
Egypt	Kerry Egypt LLC	Ingredients & Flavours	26
South Africa	Kerry Ingredients South Africa (Pty) Limited	Ingredients & Flavours	27
	Orley Foods (Proprietary) Limited	Ingredients & Flavours	28
Slovakia	Dera SK s.r.o.	Ingredients & Flavours	29
Ukraine	Dera Limited	Ingredients & Flavours	30

37. Principal subsidiaries (continued)

Country	Company Name	Nature of Business	Registered Office
USA	Big Train Industries, Inc.	Ingredients & Flavours	31
	Flavurence Corporation	Ingredients & Flavours	32
	GB Seasonings, Inc.	Ingredients & Flavours	32
	Geneva Flavors, Inc.	Ingredients & Flavours	32
	Guernsey Bel, Inc.	Ingredients & Flavours	32
	Kerry Biofunctional Ingredients, Inc.	Ingredients & Flavours	32
	Kerry Holding Co.	Investment	32
	Kerry, Inc.	Ingredients & Flavours	32
	Mastertaste Holding Co.	Investment	32
	Nuvex Ingredients, Inc.	Ingredients & Flavours	32
	Kerry Flavour Systems US LLC	Ingredients & Flavours	32
	Hickory Specialties, Inc.	Ingredients & Flavours	33
	Oregon Chai, Inc.	Ingredients & Flavours	34
	Stearns & Lehman, Inc.	Ingredients & Flavours	35
	Presco Food Seasonings, Inc.	Ingredients & Flavours	36
	Kerry Finance (US) LLC	Services	37
	Kerry SG Acquisition Company	Investment	38
	Millennium Foods LLC	Ingredients & Flavours	39
Canada	Kerry (Canada) Inc.	Ingredients & Flavours	40
	Rector Foods Limited	Ingredients & Flavours	41
Mexico	Kerry Ingredients (de Mexico) S.A. de C.V.	Ingredients & Flavours	42
Brazil	Kerry do Brasil Ltda.	Ingredients & Flavours	43
	Kerry de Amazonia Ingredientes e Aromas Ltda.	Ingredients & Flavours	44
	Laboratorios Griffith do Brasil S.A.	Ingredients & Flavours	45
Costa Rica	Prima S.A. de C.V.	Ingredients & Flavours	46
Chile	Kerry Chile Ingredientes, Sabores Y Aromas Ltda.	Ingredients & Flavours	47
Argentina	General Cereals S.A.	Ingredients & Flavours	48
Colombia	Kerry Ingredients & Flavours Colombia S.A.S.	Ingredients & Flavours	49
Thailand	Kerry Ingredients (Thailand) Limited	Ingredients & Flavours	50
Philippines	Kerry Food Ingredients (Philippines), Inc.	Ingredients & Flavours	51
	Kerry Food Ingredients (Cebu), Inc.	Ingredients & Flavours	52
Singapore	Kerry Ingredients (S) Pte Limited	Ingredients & Flavours	53
Malaysia	Kerry Ingredients (M) Sdn. Bhd.	Ingredients & Flavours	54
	Esterol Sdn. Bhd.	Ingredients & Flavours	55
Japan	Kerry Japan Kabushiki Kaisha	Ingredients & Flavours	56
China	Kerry Food Ingredients (Hangzhou) Company Limited	Ingredients & Flavours	57
	Kerry Ingredients Trading (Shanghai) Company Limited	Ingredients & Flavours	58
Indonesia	PT Kerry Ingredients Indonesia	Ingredients & Flavours	59
India	Kerry Ingredients India Private Limited	Ingredients & Flavours	60
	Kerry Limited	Ingredients & Flavours	61
Australia	Food Spectrum Group Pty Limited	Ingredients & Flavours	62
	Kerry Ingredients Australia Pty Limited	Ingredients & Flavours	62
New Zealand	Kerry Ingredients (NZ) Limited	Ingredients & Flavours	63

Notes

(1) All principal subsidiaries are wholly owned.

(2) Country represents country of incorporation and operation. Ireland refers to the Republic of Ireland.

(3) With the exception of the US, Canadian and Mexican subsidiaries, where the holding is in the form of common stock, all holdings are in the form of ordinary shares.

37. **Principal subsidiaries** (continued)

Registered Office

1 Prince's Street, Tralee, Co. Kerry, Ireland.
2 6 Corcrain Road, Portadown, Craigavon, Co. Armagh NT32 3UF, Northern Ireland.
3 Milburn Road, Coleraine, Co. Londonderry BT52 1QZ, Northern Ireland.
4 Thorpe Lea Manor, Thorpe Lea Road, Egham, Surrey TW20 8HY, England.
5 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 Springthyme House, Unit 6A, Meadway, Padiham, Lancashire BB12 7NG, England.
9 Woestjnstraat 37, 2880 Bornem, Belgium.
10 Veluwezoom 62, 1327 AH Almere, The Netherlands.
11 Marikova, 36 Brno, Czech Republic.
12 Les Monestiers, 84400 Gargas, France.
13 Quartier Salignan, 84400 Apt en Provence, France.
14 26 Rue Jacques Prevert, 59650 Villenueve d'Ascq, France.
15 Hauptstrasse 22-26, D-63924 Kleinheubach, Germany.
16 Neckarstraße 9, 65239 Hochheim/Main, Germany.
17 Ul. P Browki 44, 210605 Vitebsk, Republic of Belarus.
18 Toftegardsvej 3, DK-5620, Glamsbjerg, Denmark.
19 Via Cappitani Di Mozzo 12/16, 24030 Mozzo (BG), Italy.
20 25-558 Kielce, Ul. Zagnanska 97a, Kielce, Poland.
21 2045 Torokbalint, FSD Park 2, Hungary.
22 16 Avenue Pasteur, L-2310 Luxembourg, Grand-Duchy of Luxembourg.
23 Sectorul 3, 42 Dudesti-Pantelimon Road, 033094 Bucharest, Romania.
24 Office 901-B, Building 1, 16/2 Tverskaya Street, Moscow, 125009, Russia.
25 8 Basovskaya Street, Moscow, 109202, Russia.
26 31 Imam Ali Street, Ismailia Square, Heliopolis, Cairo, Egypt.
27 Block 3, 4-6 Lucas Drive, Hillcrest, Durban, Kwazulu-Natal, South Africa.
28 15a Chain Avenue, Montague Gardens, Cape Town, South Africa.
29 Sancova 50, 811 04 Bratislava, Slovakia.
30 4 Korolenkivska str., Kiev, Ukraine.
31 25392 Commercentre Drive, Lake Forest, California 92630, US.
32 1209 Orange Street, Wilmington, Delaware 19808, US.
33 800 South Gay Street, Suite 2021, Knoxville, Tennessee 37929, US.
34 388 State Street, Suite 20, Salem, Oregon 97301, US.
35 1300 E. Ninth Street, Cleveland, Ohio 44114, US.
36 351 W. Camden Street, Baltimore, Maryland 21201, US.
37 208 S. LaSalle Street, Suite 814, Chicago, Illinois 60604, US.
38 3330 Millington Road, Beloit, Wisconsin 53511, US.
39 251 E. Ohio Street, Suite 1100, Indianapolis, IN, 46204, US.
40 Suite 3600, 55 King Street West, Toronto-Dominion Bank Tower, Toronto, M5K 1N6, Ontario, Canada.
41 66 Wellington Street, Toronto-Dominion Bank Tower, Toronto, Ontario, M5K 1N6, Canada.
42 Carr. Panamericana, Salamanca Km 11.2, 36660 Irapuato, Guanajuato, Mexico.
43 Rua Cristiano Alves da Silva, 15 Parque Jussara, Tres Coracoes MG, Brazil.
44 Av. Djalma Batista, no. 1661, Millennium Shopping Mall, Business Tower, Cidade De Manaus, Estado do Amazonas, Brazil.
45 Avenida Joao XXIII, No 1010, Mogi das Cruzes, Sao Paulo, 52.542.446/0001-41, Brazil.
46 200 metros al este del Banco Nacional en la Uruca Contiguo a la Bomba Shell, San José, Costa Rica.
47 Isidora Goyenechea 2800, Piso 43, Las Condes, Santiago, Chile.
48 Avenida Libertador 6570, Piso 7, Departamento A, Buenos Aires, Argentina.
49 CR 7 NO. 71 52 TO A P 5, Bogotá, Colombia.
50 No 618, Moo 4, Bangpoo Industrial Estate, Praksa Sub District, Muang District, Samutprakarn Province, Thailand.
51 GF/SFB#1, Mactan Economic Zone 1, Lapulapu City, Cebu, Philippines.
52 P. Suico St., Tabok, Mandaue City, Cebu, Philippines.

37. Principal subsidiaries (continued)

Registered Office *(continued)*

53 3 Anson Road, #27-01 Springleaf Tower, Singapore 079909, Singapore.
54 Suite 1301, 13th Floor, City Plaza, Jalan Tebrau, 80300 Johor Bahru, Johor, Malaysia.
55 Lot 41, Lengkuk Keluli 1, Kawasan Perindustrian Bukit Raja Selatan, Seksyen 7, 40000 Shah Alam, Selangor, Malaysia.
56 Kamiyacho Sankei Building. 2F, 1-7-2, Azabudai 1-chome, Minato-ku, Tokyo 106-0041, Japan.
57 Renhne Industry Zone, Jiulong Village, Hangzhou, China.
58 Room 248, Ximmao Building, 2 Tai Zhong Road South, Waigaoqiao Free Trade Zone, Shanghai, China.
59 JL Industri Utama Blok SS No. 6, Jababeka II Mekarmukti, Cikarang Utara, Bekasi 17520, Indonesia.
60 17th Floor, Nirmal Building, Nariman Point, Mumbai 400 021, India.
61 Theing Road, Phillaur, 144410, District Jalandhar, Punjab, India.
62 No 8 Holker Street, Newington, NSW 2127, Australia.
63 11-13 Bell Avenue, Otahuhu, Auckland, New Zealand.

NOTES

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