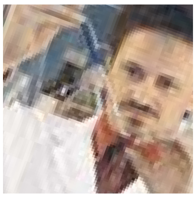
Annual Report

Kerry Group Annual Report & Accounts 2001



2001 at a glance

EBITDA increased by 11.7% to €331 million. Sales increased by 14.5% to €3 billion. Operating margin on continuing operations up from 8.9% to 9.1%. Profit before tax up 9.6% to €189.7 million. Headline earnings per share increased by 10.5% to 94.6 cent. Final dividend per share up 10.1% to 6.75 cent. €617 million acquisition and €94 million capital expenditure programmes. Expenditure on research and development increased to €58.7 million.

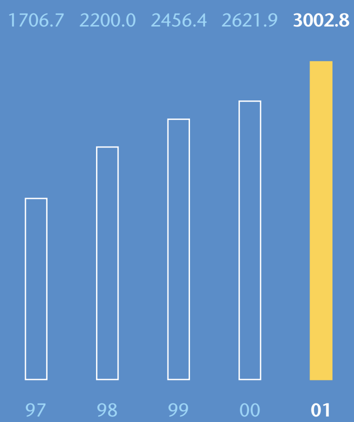
contents

The Group will continue to build on Kerry's consumer understanding by providing technologies and product offerings to match evolving consumer requirements.

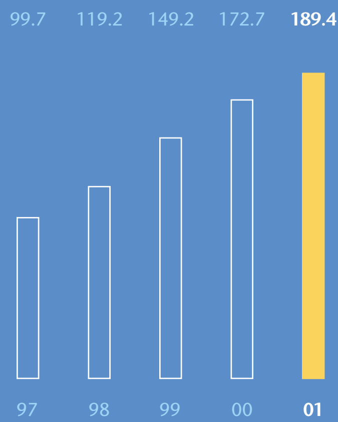
Kerry Group is a leader in global food ingredients markets, a leading flavour provider to the food and beverage industries, and a leading consumer foods processing and marketing organisation in selected European markets. Kerry is committed to being a leader in its selected markets through technological creativity, total quality and superior customer service. The Group is focused on continuing to expand its presence in global food ingredients and flavours markets, and on the further development of its consumer foods businesses in Europe.

financial highlights

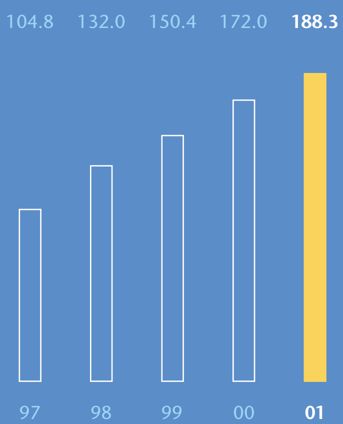
Group Turnover
(€million)



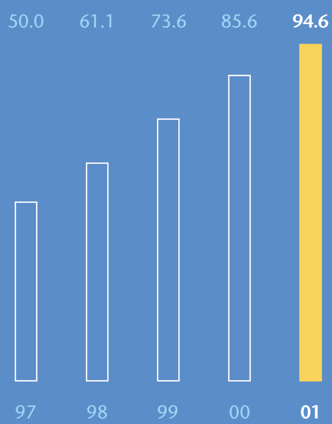
Profit before Taxation and Exceptional Items
(€million)



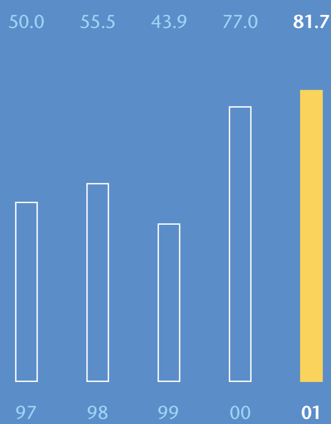
Cash (EBITDA*) Per Share
(cent)



Earnings Per Share
Before Goodwill Amortisation and Exceptional Items (cent)



Earnings Per Share
After Goodwill Amortisation and Exceptional Items (cent)



results in brief

	2001 €m	2000 €m
Turnover	**3,002.8**	2,621.9
EBITDA*	**330.9**	296.2
Profit before taxation and exceptional items	**189.4**	172.7
Dividends	**18.5**	15.6
Retained profit for the year	**125.0**	116.9
Purchase of fixed assets	**94.4**	101.0
Earnings per ordinary share (cent)**	**94.6**	85.6
Total dividend per share (cent)	**10.00**	9.05
Cash (EBITDA*) per share (cent)	**188.3**	172.0

* *Before exceptional items*

** *Earnings per ordinary share before goodwill amortisation and exceptional items*

chairman's statement

...key to Kerry's success are the collective core competencies of the organisation – central to which are the skills, dedication and commitment of its people.

I am pleased to report Kerry's sixteenth successive year of double digit growth in earnings. The strong performance of the Group in 2001 again reflects the resilience of the growth markets in which Kerry operates, the range of Group technologies, and the strength of our brands.

By responding to consumer trends the Group has continued to perform well in our major ingredients and consumer foods markets. Group sales grew by 14.5% and surpassed the landmark €3 billion level. Operating margins on continuing operations again grew satisfactorily, while earnings before interest, tax, depreciation and amortisation (EBITDA) increased by 11.7% to €331m. Earnings per share increased by 10.5% to 94.6 cent. This has been achieved while building the business for future sustainable growth. Through a €617m acquisition programme the Group undertook a wide range of business acquisitions across ingredients, flavours, nutritional and selected consumer foods markets. The initiatives undertaken represent important strategic developments in strengthening our core technology base and in building our position in global markets. The acquisition of Golden Vale completed at the end of September further consolidates the Group's position in its domestic market, while also enhancing Kerry's position in foodservice markets and expanding our product offerings in convenience and snack consumer product growth sectors.

Dividend

The Board has declared a final dividend of 6.75 cent per share, an increase of 10.1% on 2000. Together with the interim dividend of 3.25 cent per share, this raises the total dividend payment for the year to 10 cent per share, an increase of 10.5% on the 2000 dividend. The final dividend will be paid on 31 May 2002 to shareholders registered on the record date 3 May 2002.

Board and Management Changes

Michael Hanrahan retired from the Board and from the Chairmanship at year-end. Michael joined the Board of Kerry Co-operative in 1978 and became Chairman in 1981. He became Chairman of Kerry Group plc on its launch in 1986 and as Chairman oversaw the phenomenal growth and development of the organisation through to his retirement. Michael has contributed enormously to Kerry's success over those important years in establishing a growth oriented, profitable international food organisation. We wish him well in his retirement.

I would like to thank Dr. Ivor Kenny, John O'Connor and Roger O'Rahilly who also retired from the Board in 2001 for their individual contributions to the Kerry organisation.

I am pleased to welcome Kevin Kelly who was co-opted as non-executive Director on 1 June 2001 and also Cathal Foley and Walter Costelloe who were appointed to the Board as non-executive Directors on 25 February 2002.

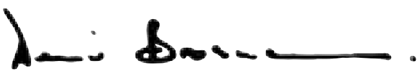
As announced in February 2001, I was appointed by the Board to succeed Michael Hanrahan as non-executive Chairman on his retirement. Hugh Friel was appointed Managing Director with effect from 1 January 2002. Hugh has been joint Deputy Managing Director of the Company since the formation of Kerry Group. He has been with Kerry since its foundation in 1972, overseeing its growth as Director of Finance.

Brian Mehigan, formerly Group Controller, was appointed Finance Director on 25 February 2002.

Prospects

The outlook for 2002 is outlined in the Managing Director's Review. Having already gained market leadership in speciality ingredients, food coating systems, seasonings and sweet ingredients, the Group is now focused on capitalising on this broad food technology base by expanding its presence in global flavours markets and in fast growing nutrition and foodservice sectors. In addition we will continue to exploit and grow our strong branded and customer branded positions in convenience and snack segments of the UK and Irish consumer foods markets.

The Group now has some 17,000 people throughout our global operations. Undoubtedly, key to Kerry's success are the collective core competencies of the organisation – central to which are the skills, dedication and commitment of its people. It remains for me to thank management and all Group employees for their individual contributions to Kerry's strategic and financial progress in 2001.



Denis Brosnan, Chairman
25 February 2002

In the fifth consecutive year in which the Group delivered in excess of €100m free cash flow, this enhanced financial performance was achieved while building the business to ensure future sustainable growth.

managing director's review

Kerry's record of consistent profitable growth was upheld in 2001, in a year when the Group continued to invest and achieve considerable progress in building for the future. The operating environment proved more challenging in the aftermath of major consolidation in global food industry markets and on account of the relatively weaker global economic situation. Nevertheless, benefiting from the Group's geographic and sectoral spread, Kerry continued to realise good opportunity for business growth and market development. Earnings before interest, tax, depreciation and amortisation (EBITDA) increased by 11.7% to €331m. In the fifth consecutive year in which the Group delivered in excess of €100m free cash flow, this enhanced financial performance was achieved while building the business to ensure future sustainable growth. Through €617m acquisition and €94m capital expenditure programmes in 2001, Kerry added a range of new technologies and considerably broadened its product offerings and customer services in global food and beverage markets. Research & Development expenditure increased by 11.9% to €58.7m.

Results

Profit before tax increased by 9.6% to €189.7m. Consistent with expectations, headline earnings per share increased by 10.5% to 94.6 cent. Basic FRS 3 earnings per share increased by 6.1% to 81.7 cent.

Total Group turnover increased by 14.5% to €3 billion. Like for like sales increased by 5.2% year-on-year when account is taken of acquisitions, divestitures and the impact of foreign exchange. Operating profits before goodwill amortisation from continuing operations grew by 6.7% to €249.4m. Including the contribution from acquisitions, operating profits increased by 11.4% to €260.4m. The operating margin on continuing operations again showed a satisfactory increase to 9.1%, compared to the 2000 margin of 8.9%. Allowing for the profile and mix of business acquisitions completed during 2001, including the acquisition of Golden Vale which was completed at the end of September, the Group operating margin for the year was 8.7%.

Operations Reviews

Ireland and Rest of Europe

Continuing operations in Ireland recorded a 6.4% increase in sales to €687.0m and increased operating profit by 8.4% to €40.5m. Acquisitions in Ireland in 2001 added €196.3m in turnover and €4.6m operating profit.

Before acquisitions, European operations (excluding Ireland) increased sales by 2.6% to €1,170.9m and operating profits by 5.6% to €97.1m. Acquisitions contributed a further €12.9m in sales and €1.5m operating profit.

Kerry's ingredients operations serving food processor and foodservice markets throughout Europe and the Group's branded and customer branded consumer food activities have continued to deliver good profit growth. Consumer demand for quality and convenience continues to significantly influence development in the food sector across Europe.

In ingredients markets Kerry strengthened its position in the 'meal solutions' sector, recording strong growth in poultry and fish alternatives. Margin expansion was driven by efficiency improvements in UK and German operations, supported by further progress in France and in Eastern Europe. Kerry's leadership in the European snack flavourings market was further consolidated, benefiting from market expansion in new growth territories in Eastern Europe. The Mastertaste flavour business had a strong performance in 2001, winning core supplier status in new multinational accounts.

Kerry Foods again recorded excellent results in its branded and customer branded consumer foods categories - with further market share gains in sausage, premium meats, juices and mineral water. The continued growth of Kerry's primary brands is very encouraging, while the division is also at the forefront of development in the snack, convenience and prepared meals sectors. In addition the division's unique focus and development of chilled food product distribution and services in the UK and Ireland continues to yield strong growth, exploiting the service requirements of the snacking or 'food to go' sectors.

To enhance the Group's position in key European strategic markets a number of developments were undertaken in 2001, including the following acquisitions;

Corol S.A., a specialist provider of a range of savoury and functional ingredients to the foodservice industry in France.

San Giorgio Flavors, a leading Italian provider of food and beverage flavours serving EU and Asian markets.

Platter Foods, a supplier of chilled salads and fresh desserts to the Irish market.

Voyager Foods, a UK based supplier of culinary systems and ready-to-use ingredient solutions to European prepared foods, food processor and foodservice industries.

Aromont, based in Montcornet, France, a leading producer of high quality authentic culinary ingredients and liquid sauces for the European ready meals, meal solutions and foodservice industries.

Golden Vale, operating from thirteen manufacturing sites in Ireland and the UK

- a major processor of processed and natural cheeses, dairy spreads, prepared meals, snack products, milk, niche drinks, butter and dairy ingredients. This acquisition, concluded at the end of September 2001, at a total cost (including debt) of €391m, represents a major expansion of Kerry's prepared meals and snack products business plus entry to beverage growth sectors including cream liqueurs and ready-to-drink cocktails, and the opportunity;
- to market Golden Vale products to a wider customer base with distribution of Golden Vale cheese and dairy products through Kerry's dedicated distribution network in the UK and Ireland,
- to add enhanced value to Golden Vale raw materials through Kerry's global food ingredients operations,
- to grow significantly in European and Scandinavian foodservice markets by combining Kerry and Golden Vale foodservice and quick-service restaurant offerings.

In 2001, the Group also concluded the sale of the SPP bakery ingredients business in the UK.

Americas

Good progress was again achieved throughout Kerry's American operations and markets. While market conditions proved extremely competitive, the business

Kerry's enlarged flavour technical capability is now focused on meeting the requirements of the Group's multinational customers on a worldwide basis.

grew satisfactorily with sales from continuing operations increased by 8.3% to €762.3m. Operating profits from continuing operations increased by 8.8% to €100.5m. Against the background of tremendous industry consolidation in the region, Kerry made significant progress acquiring complementary businesses and new technologies. Acquisitions in the period contributed €39.4m in sales and operating profit of €4.8m.

In the USA, to meet the growing demand and requirements in cereal particulates markets, a new US$5m production line was commissioned at the New Century, Kansas facility. Strong growth was achieved in seasonings applications for the fast growing meat snack market and prepared foods industry. Market development initiatives capitalising on the Group's flavour and technical capabilities in cheese and dairy technologies achieved good results through provision of value-added ingredients in non-powdered formats. The integration of the Armour Food Ingredients business, acquired in October 2000, was completed with the closure of the Springfield, Kentucky facility and transfer of operations to Kerry's other facilities. The Group again achieved solid growth through coatings systems for poultry and appetiser applications in the quick-serve-restaurant and foodservice sectors. In Canada, a strong performance was achieved through extension and commercialisation of recently acquired North American technologies. Significant progress was achieved in Mexican and Latin American markets in particular through cheese and dairy ingredients. The Group's additional resourcing and focus on prepared foods, snack and bakery markets in the region produced favourable results in 2001.

The accelerating trend towards convenience in Brazilian and South American food consumption patterns assisted in the achievement of good growth through cheese and dairy flavouring systems, meat seasonings, coating systems and speciality lipid powders. Kerry's competitive advantage through its Brazilian based manufacturing and technical facilities

was critical to growth in the added value poultry sector – in line with developments in Brazilian poultry exports.

As outlined in the interim statement, having already gained market leadership in seasonings, coatings, speciality ingredients and sweet ingredients, in 2001 the Group also focused considerable financial and management resources on capitalising on this broad food technology base through expansion in global flavours markets and in the fast growing nutrition sector.

In line with the Group's global flavour business expansion and development programme and complementing Kerry's other flavour businesses including Mastertaste based in the UK, San Giorgio Flavors in Italy (also acquired in 2001) and the former Burns Philp flavours business in Australia, the following flavour company acquisitions were also completed in 2001;

- *The Geneva Group;* comprising Flavtek Inc., Geneva Flavors Inc., and Gilette Food Flavorings LLC, with technical and product development facilities based in Madison, Los Angeles and New Jersey, USA. The Geneva Group is a leading flavours provider for savoury and sweet applications to foodservice and processed food manufacturers in the U.S. market.

- *Hickory Specialties;* a leading producer of liquid smoke flavours for application in sauces, marinades, glazes, smoked meats, snack seasonings, smoked seafood, soups, coatings and prepared meals. The business, with manufacturing facilities in Crossville, Tennessee and Greenville, Missouri, has a well established customer base in the U.S. market and a strong international sales network in Japan, Brazil and Europe.

In the nutritional sector Iowa Soy, based in Vinton, Iowa was acquired, adding new product lines to Kerry's speciality soy product offerings for use by the health and nutritional foods industries in the USA. Combined with the Solnuts business acquired in 2000, the Nutriant™ division is targeting development in the fast growing nutrition and organic ingredients sectors.

Further development in American markets in 2001 included the acquisition of;

- *Creative Seasonings & Spices*, based in Sturtevant, Wisconsin, strengthening the Group's position in the development of seasoning blends and flavour systems for application in the prepared foods, processed meats, snack and dairy industries in the U.S. market.

- *Alferi Laboratories*, also based in Wisconsin, strengthening Kerry's position as a leading supplier of meat seasonings to the U.S. foodservice and prepared foods markets.

- *SPI Foods*, located in Fremont, Nebraska, a leader in the development of speciality extruded ingredients for application in ready-to-eat cereals, energy bars and confectionery markets.

- *Nutrir Productos Alimenticios*, based in Belo Horizonte, a leading supplier of branded dehydrated convenience blends to the cappuccino, breakfast cereal, milk shake and chocolate beverage sectors in Brazil.

- *Siber*, located near Sao Paulo, a leading branded supplier of sweet flavour and texture delivery systems to the ice cream, bakery and confectionery industries in Brazil.

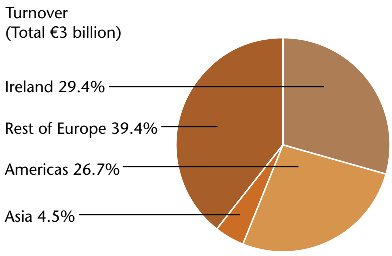
Asia Pacific

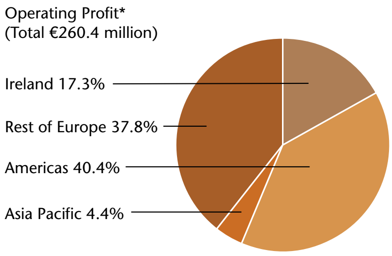
Kerry's Asia Pacific business performed satisfactorily in a challenging economic environment. Difficulties associated with the reduced level of profitability in the Australian food industry and the relatively weaker economic conditions in Asia, were exacerbated by capacity limitations in Group facilities in the first half of 2001. As a result turnover from continuing operations in the region was broadly static at €132.9m, with operating profits reduced by 6.1% to €11.4m. In Australia good progress was again recorded through coatings and savoury flavours in prepared foods and poultry markets. Kerry Pinnacle strengthened its position as the leading supplier of bakery ingredients, expanding its product range to in-store bakeries in major retail outlets. Pinnacle was also acclaimed 'Supplier of the Year' to the largest retail group in Australia. Kerry New Zealand continued to grow satisfactorily through coatings applications to the quick-service-restaurant market.

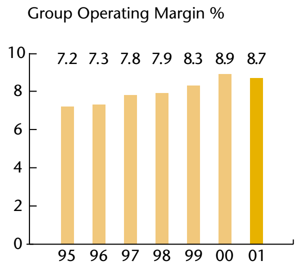
Kerry continued to develop its presence in Asia where good progress was recorded

From top: Denis Cregan, Deputy Managing Director and C.E.O. Kerry Ingredients; Michael Griffin, C.E.O. Kerry Foods; Stan McCarthy, President and C.E.O. Kerry Ingredients Americas and Brian Mehigan, Finance Director.

Geographical Analysis of Turnover & Operating Profit (By Origin) 2001







** Operating profit before goodwill amortisation and exceptional items*

through cheese and dairy flavourings in the snack and biscuit sectors. In the nutritional sector market development continued in North East Asia through Kerry's speciality lipid technologies.

Major developments in Asia-Pacific markets in 2001 included;

- commissioning of the Murarrie, Queensland processing facility.
- completion of major upgrade of Kerry Australia's second major processing plant in Altona, Victoria.
- completion of a new headquarters and Research & Development facility at Newington, Sydney.
- commissioning of new ingredient processing facilities in Malaysia.

Post Balance Sheet Events

Since year-end, in line with its strategy to develop leading positions in foodservice markets, the Group announced the proposed acquisition of Stearns & Lehman Inc., a leading manufacturer of coffeehouse chain, foodservice and branded Italian-style flavoured syrups, beverage flavourings and toppings for the speciality coffee and beverage industries. The proposed acquisition, due to be completed in early March, has manufacturing facilities in the U.S. and in Canada, serving foodservice markets in the U.S., Canada, Europe and the Pacific Rim.

The Group has also agreed, subject to due diligence to sell the Bailieboro milk processing business, acquired as part of the acquisition of Golden Vale, for a consideration of €33m. In addition, the Group is in discussion with a number of interested parties in connection with


IN EUROPE

the sale of the Artigarvan milk processing business in County Tyrone, Northern Ireland, which was also acquired as part of the Golden Vale transaction.

Finance

Operating cash flow (EBITDA) increased by 11.7% to €330.9m. After net cash expenditure on capital projects of €89m, interest payments of €45.7m, tax of €44.3m and dividends of €16.6m, free cash flow available to the Group was €101.3m. Over the past five years free cash flow generated by the Group has amounted to €544m.

The total consideration, including debt, arising from Group acquisitions in 2001 amounted to €617m, of which €163m was raised by way of issued share capital in respect of the offer to Golden Vale shareholders. Net debt at year-end amounted to €818.9m compared to the year earlier level of €478.3m. Accordingly debt to EBITDA stood at a comfortable 2.5 times, while the level of debt expressed as a percentage of market capitalisation stood at 32%.

Interest charges in 2001 increased by €2m to €47.6m, with EBITDA to interest covered 7.0 times (2000 : 6.5 times). The tax charge for the period was €46.3m (2000 : €40.6m) reflecting a slight increase in the Group's effective tax rate to 24.4%.

Integration of acquisitions, including the Golden Vale businesses, commenced in the final quarter at a cost in the period of €8.1m. Since year-end the Board has approved an integration plan for businesses connected with 2001 acquisitions, principally Golden Vale. The plan at a cost of €52m is expected to be completed in 2002 and the Group is confident that the benefits of this programme in terms of business development and efficiencies will be significant.

At year-end capital and reserves stood at €830m compared to the previous year's level of €529m. The basic weighted average number of ordinary shares in issue for the period was 175,674,473 (2000 : 172,149,130). The number of shares in issue at year-end was 184,998,845 and the Kerry Group share price was quoted at €13.65 (2000 : €13.60). Market capitalisation amounted to €2.53 billion compared to the 2000 year-end level of €2.34 billion.

Euro

The Group successfully completed the conversion of its commercial and reporting systems to cater for the introduction of the Euro currency on 1 January 2002.

Management Changes

Denis Cregan, currently Deputy Managing Director, was also appointed C.E.O. of Kerry Ingredients with effect from 1 January 2002. Brian Mehigan, formerly Group Controller, was appointed Finance Director on 25 February 2002.

Future Prospects

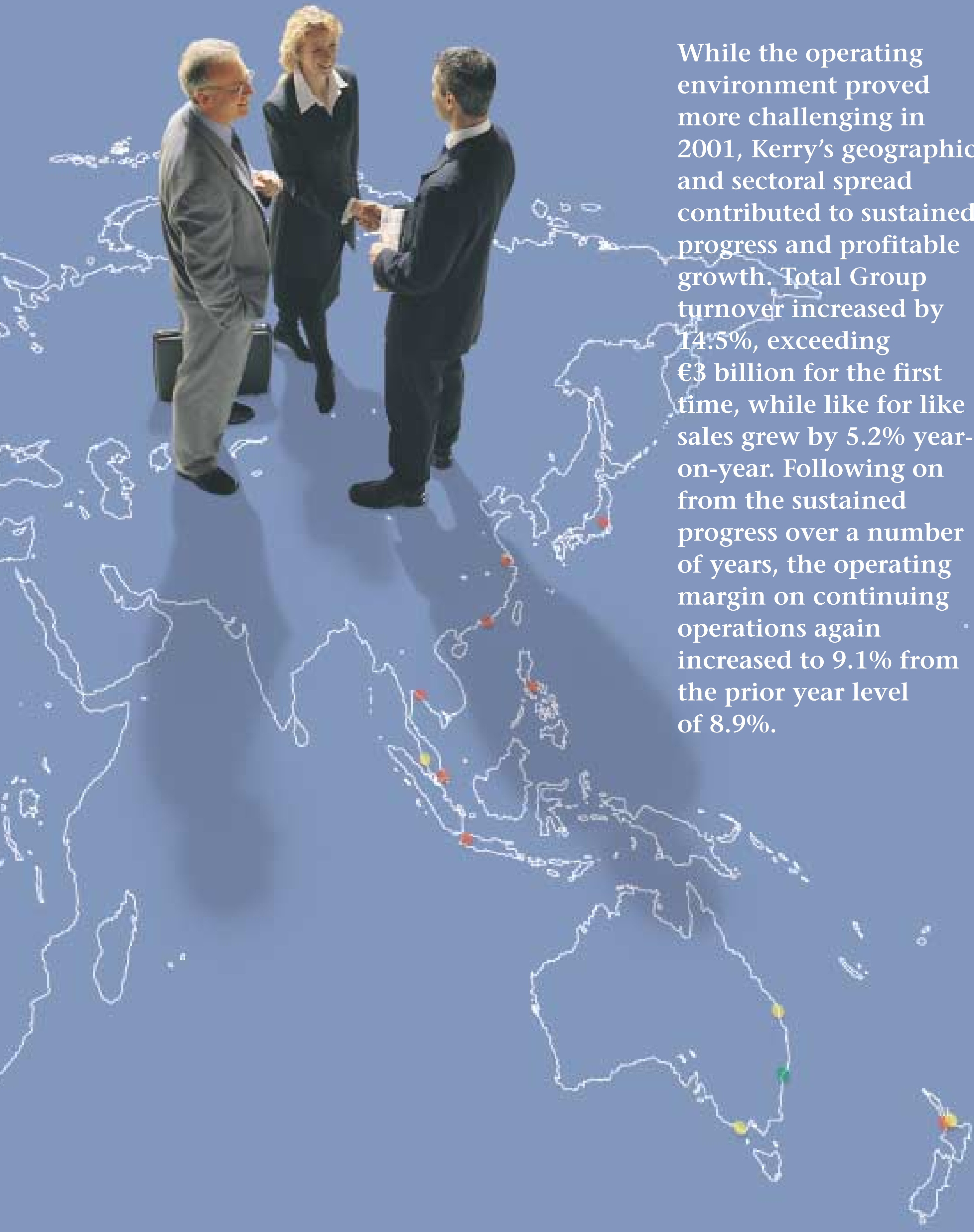
The Group has established a quality business which is well diversified both sectorally and geographically. In the past year from operational, management and financial perspectives, underlining the strength of the Group, we have comfortably gained considerable advantage through a range of acquisitions and business opportunities which augur well for future profitable growth.

While continuing to build and consolidate the Group's strong positions in consumer foods and ingredients markets, we have also focused on developing leadership positions in the global flavour and nutrition sectors, while selectively growing our culinary and foodservice businesses. Current trading is in line with expectations and the Group is well placed to capitalise on complementary acquisition opportunities which will inevitably arise due to the ongoing consolidation of the global food industry.

Hugh Friel, Managing Director
25 February 2002

...to maximise individual capabilities, Kerry has a flexible cross-functional approach to organisational development.


Head Offices
Manufacturing Plants
International Sales Offices



While the operating environment proved more challenging in 2001, Kerry's geographic and sectoral spread contributed to sustained progress and profitable growth. Total Group turnover increased by 14.5%, exceeding €3 billion for the first time, while like for like sales grew by 5.2% year-on-year. Following on from the sustained progress over a number of years, the operating margin on continuing operations again increased to 9.1% from the prior year level of 8.9%.

business review ireland and rest of europe

The Group's Irish based operations again had an excellent year with sales from continuing operations growing by 6.4% to €687m and operating profits from continuing operations improved by 8.4% to €40.5m. Acquisitions in Ireland completed in 2001 added a further €196.3m in turnover and €4.6m operating profit.

Rest of Europe continuing operations grew turnover by 2.6% to €1,170.9m and operating profits by 5.6% to €97.1m. Acquisitions added a further €12.9m in sales and €1.5m operating profits.

In European ingredients markets, Kerry performed well, benefiting from operating efficiency improvements implemented in 2000. A major influence across all European markets was the continuing growth in consumer demand for quality convenient food offerings which accelerated the development of innovative menu items, particularly in the prepared meals and snack product sectors. Kerry's development and acquisition strategy considerably enhanced its leading reputation in the "meal solution" sector through the provision of unique culinary systems and ingredients. Good progress was achieved in Germany, France and the UK in food coatings, primarily through a number of significant technical advances including "Millennium Crumb" developed in Germany, "Elite Batters" developed at the Bristol, UK technical centre and "Precision Speciality Flour" developed at Kerry's Gainsborough facility in the UK. 2001 also saw the launch of a range of flavoured batters and marinade systems allowing processors to expand the offerings of popular snacking style finger-foods.

In the European snack flavourings market good progress was achieved in new growth markets in Eastern Europe, complementing the Group's strong market position in Western European markets. The continued expansion of foodservice in Europe led to new opportunities for Kerry's range of ingredients and culinary systems, in particular in France. This led to the acquisition of Corol S.A., a specialist provider of a range of savoury and functional ingredients, based in Meaux, near Paris. Complementing the Kerry Jaeger range of products, the acquisition of Corol also extended the Group's market position into the expanding healthcare sector. In line with the Group's mission to be a leading pan-European provider of culinary systems and ready-to-use ingredient solutions, Kerry also acquired the sauces and flavoured butters division of Voyager Foods based in Sunderland, UK in 2001. Voyager manufactures a range of formed flavoured butters and a variety of authentic savoury sauces for the prepared foods, food processor and foodservice industries.

In 2001, Kerry Aptunion fruit division, which supplies fruit preparations and fruit products to the European bakery, ice-cream, yoghurt and foodservice markets, performed satisfactorily in all key categories in a competitive environment. A number of premium quality preparations were added to the fruit preparation range in response to current consumer trends - in particular the momentum towards "health" and "indulgence" products. Technological advances included continued development of high identity fruits and fresh fruit flavours, as well as added nutrition and additive reduction. The growth in "dessert" ice-cream continued in 2001 providing further opportunity for Kerry fruit systems. As Eastern European markets continued to evolve rapidly in 2001, Kerry continued to make progress in the yoghurt and ice-cream markets.

	2001	2000	1999
Ireland			
Sales	€883.3m	€645.9m	€613.7m
Operating Profit	€45.1m	€37.3m	€34.5m
Rest of Europe			
Sales	€1,183.8m	€1,140.9m	€1,092.6m
Operating Profit	€98.5m	€91.9m	€85.8m

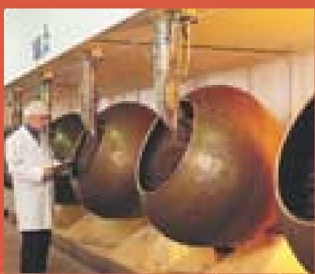
Demand for product variety and natural flavours provided the greatest opportunity for growth in the European bakery sector. Further technology developments were achieved in bake stable fillings and by improving flavour delivery and taste. In candied fruit Kerry Aptunion experienced growth in 2001 due to a recovered industrial market in France and new developments in Eastern Europe and Middle Eastern markets. Kerry Aptunion's foodservice operations, which provide conserves, fruit filling and dessert sauces, performed very satisfactorily.

A proactive marketing campaign, focusing on delivering innovative new product ideas to the "artisan" and "patisserie" in-store bakery and foodservice sectors, achieved excellent sales growth within the French market for Kerry's Ravifruit division. In export markets, Ravifruit was awarded a "Position of Excellence" after brand introduction into the Japanese market.

In 2000, Kerry acquired York Dragee, a specialist provider of inclusions, coated particulates and sweet ingredients to the European market. Market trends in 2001 saw increased innovation and use of sweet ingredients in the ice-cream, dairy, component confectionery and breakfast cereal markets. Kerry Dragee made excellent progress through the provision of confectionery inclusions into the major European brands within the dairy and breakfast cereal markets. Investments to meet market growth included cooking capacity at the Bingham site and increased chocolate coating capacity at the York site in the UK.

In cheese and dairy systems a range of ingredients were developed in conjunction with the snack seasoning technology group for delivery of base flavour, mouthfeel and texture to dairy and savoury seasonings. Progress was also achieved through the development of texturised flavour pastes with lower viscosity. Good results were achieved in the development of functional dairy proteins for the nutritional bar sector and through dairy proteins for adult and medical nutrition.

In 2001, the Group focused considerable attention on the development and expansion of its global flavour capabilities. Complementing Kerry's existing flavour businesses, including Mastertaste based in the UK and the former Burns Philp flavours business in Australia; in the year under review the strategic acquisitions of San Giorgio Flavors in Italy and the Geneva Group and Hickory Specialties in the U.S. were also completed. San Giorgio Flavors, acquired from the Pernod Ricard Group, is



the leading Italian manufacturer of food and beverage flavours with a portfolio of some 2,000 flavours, primarily in the sweet flavours sector but also extending to savoury flavours. Operating from two manufacturing facilities in Turin, San Giorgio employs an experienced 29 member R & D team and has a strong record of growth and technical achievement in the beverage, confectionery and savoury product industries. While its core market is Italy, the company has expanded sales to 35 countries across Asian and EU markets.

Mastertaste had a strong performance in 2001, expanding its customer base and winning core supplier status in new multinational accounts. The acquired and existing flavour businesses are currently

being integrated to form a global flavour division within Kerry Group to capitalise on the Group's total flavour capability across all markets served and to facilitate further expansion and development in the global flavour industry. In 2001, the enlarged savoury flavour capability within the Group led the development of high quality cooked flavours to meet the requirements of the global convenience food market. Progress was also achieved through the extension of sweet flavour capabilities developed in Italy throughout the expanded global flavour operations. Mastertaste successfully launched a range of natural flavour systems under the "Chef Style" umbrella brand and San Giorgio developed a novel range of functional flavours for the confectionery industry.

Kerry Foods had an excellent year, out-performing market growth rates in key categories, notwithstanding a challenging trading environment - in particular due to the outbreak of FMD in the UK. Value growth was again delivered by all Kerry's major brands while good progress was also achieved in major customer branded categories and through Kerry Foods' direct sales operations. 2001 was a year of major business expansion due to the Group's acquisition of Golden Vale which has expanded Kerry Foods' activities to a number of new growth sectors including cheese snacks, ready-to-go snacks, frozen ready meals, cream liqueurs and ready-to-drink cocktails.

In the UK market all Kerry brands realised solid growth in 2001. Celebrating the brand's 75th anniversary, Richmond increased its brand leadership position within the fresh sausage category. Targeted advertising campaigns reinforced the brand's 'winning Irish recipe'. Wall's also continued to grow its brand share, as more consumers bought into the brand, making Wall's the most popular sausage in the UK. Wall's Lean Recipe recorded excellent growth while Wall's Instants microwaveable sausage, introduced in 2000, trebled sales – demonstrating innovation and new audience appeal. Pre-pack bacon in the UK grew 17% year-on-year. Wall's bacon and Mattessons Turkey Rasher brands again surpassed overall market growth rates. A capacity expansion project at the Hyde facility will increase Kerry Foods' sausage manufacturing capacity by 20% by mid-year 2002.

Mattessons cooked meats also performed satisfactorily. The new pack designs introduced on the Mattessons Premium sliced meats range and the Mattessons Standard sliced meats range successfully increased visibility of the brand. Having secured more listings with major multiples, the influence of Mattessons is also growing in the independent sector. Support for Mattessons Smoked Pork Sausage also grew in response to regional marketing and promotional campaigns.

Homepride maintained its position in the flour market, while Green's home baking mixes again grew satisfactorily. The launch of Harry Potter cookie products, benefiting from the publicity surrounding the biggest film of the year, proved highly successful.

Chilled ready meals remains one of the highest growth segments within the chilled cabinet, with growth of 19% year-on-year in the UK market. In a sector dominated by customer brands, Kerry Foods' performance again surpassed total market growth rates. Oriental ready meals remain a primary area of specialisation for Kerry and were central to a good year's performance. Further penetration of the strategically important Indian segment was also achieved, gaining new meal ranges in the growing 'premium' sector.

Kerry Foods' speciality poultry business also performed well in 2001. Demand for ready-to-cook portions and added value joints continued to show strong growth, in response to which Kerry developed over 100 new products during the year. The business also realised strong Christmas sales, achieving excellent volume growth across turkey, duck, geese and speciality Christmas products.

In the UK convenience sector Kerry Foods Direct Sales again performed well. Kerry's product offering has developed to include a range of lines enabling retailers to offer snacking or 'food to go' options. Direct Sales' leadership within the independent and convenience retail sectors was again boosted through maximisation of chilled product distribution services. In February, Kerry Wholesale Service was launched, offering retailers 6 days a week delivery on a wide range of third party products in addition to the Kerry core range which is available on a speculative basis. During 2001, a series of multi-million pound contracts were signed with major multiple store chains. Good growth was recorded

...core competencies of the Group include its ability to integrate multiple technologies and coordinate diverse production skills.

through the Wall's and Richmond brands and through cheese and yellow fat products. Millers Sandwiches, the leading brand in the C-Store sector again experienced rapid growth – well ahead of total market performance.

The grocery market in Ireland remained buoyant and Kerry Foods again achieved a solid performance in all its key categories. Denny extended its brand leadership in sausage and, with the category experiencing further value growth as consumers move into more premium products, Denny Butcher Style Sausages, launched during 2001, proved highly successful. In the rasher category the Denny brand achieved overall market leadership in Ireland in 2001, as consumers broaden usage of the product into snacks and sandwiches. The performance of the Denny Instants range of pre-cooked ready-to-eat sausages and rashers, launched during the year, was also very encouraging.

In the fast growing pre-packed sliced meats sector Denny maintained a strong market position with offerings in all segments. Good growth was achieved through the introduction of family pack ranges of Denny Deli-Style Slices. Ballyfree Sliced Meats continues to build on its strategic 'white meat expert' positioning with a number of product launches in 2001, including Ballyfree Chicken Pieces and Ballyfree Turkey Rashers. Following the success of its Italian ready meals range, Denny successfully launched a range of Chinese ready meals to the Irish market in 2001. Given the demographics of consumer markets in Ireland, growth remains buoyant in this sector.

In the spreads sector Kerry brands again performed satisfactorily. Move over Butter benefited from a new TV advertising campaign. Kerry Low Low retains its number one position in the health spreads sector of the Irish market, with Kerrymaid maintaining a strong share in the taste spreads sector.

...the acquisition of Golden Vale expands Kerry Foods' activities to a number of new growth categories including cheese snacks, ready-to-go snacks, frozen ready meals, cream liqueurs and ready-to-drink cocktails.

Kerry Spring remained brand leader within the flavoured mineral water sector. Mineral water as a category continues to enjoy volume growth, with value growth adversely impacted by cheaper offerings in the take home market. Since its launch in 2000, Kerry Spring H2 Sport has performed well in the buoyant sports and energy drinks market in Ireland. Dawn Juice products have continued to be highly successful, with consistent growth of the 1 litre variants and the 250ml impulse offerings. The orange and apple, and blackberry variants in the Smooth 'n' Juicy range have continued to achieve strong growth.

In Ireland, Kerry Foods Foodservice targeted at retail customers with foodservice operations was also launched in 2001. With the Irish foodservice market valued in excess of €1.5 billion and growing at an estimated 17% per annum, Kerry Foods Foodservice aims to develop its presence in this sector by capitalising on Kerry's technical expertise and key business strengths in distribution, sales and marketing.

In Kerry's European markets the most significant development in 2001 was the acquisition of Golden Vale, concluded at the end of September. With manufacturing facilities in Ireland and the UK, Golden Vale's principal activities are the production and marketing of processed and natural cheeses, dairy spreads, prepared meals, snacks, milk, niche drinks, butter and dairy ingredients. Integration of the business with Kerry's consumer foods, dairy and ingredients, foodservice and agribusiness operations commenced prior to year-end and will be fully completed in 2002.

The Golden Vale acquisition expands Kerry's raw material base for its global dairy ingredients operations and significantly expands the Group's product range in European foodservice and quick-service-restaurant chains.

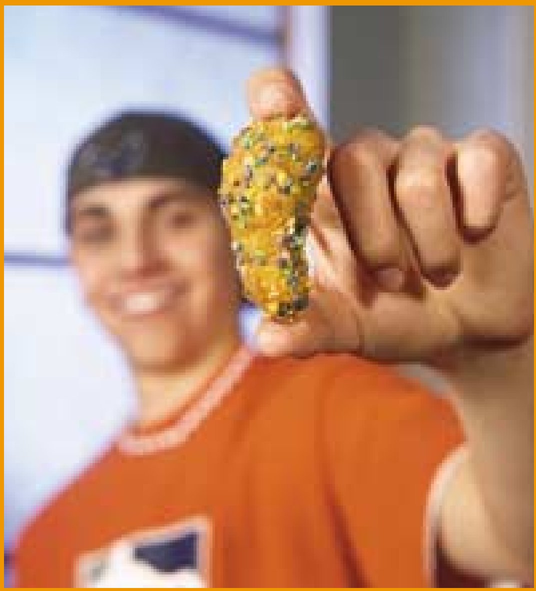
As a result of this acquisition, a new frozen meals and snacks business unit has been established in Kerry Foods. This business operates from world class production facilities, following completion of a major capacity expansion programme in July 2001 at the Carrickmacross facility, the construction of a new purpose-built factory in Enniskillen for the manufacture of microwaveable hand-held snacks and the completion of a capacity expansion programme at Kerry's existing Wisbech facility. The new division is uniquely positioned to offer customers a complete frozen product offering from microwaveable appetizers to side of plate and main meal menu items, to microwaveable sweet savouries and hand-held snacks. The former Rye Valley Foods business is well established as the number one supplier of customer branded frozen meals in both the UK and Irish markets.

The acquisition of Golden Vale also broadens Kerry's range of dairy and low-fat spreads with the addition of Easigold and Golden Olive and represents a major expansion of the Group's cheese, cheese snacks and cheese spreads business. Products include a range of cheddar cheese blocks and slices under the Coleraine, Charleville and EasiSingles brands and the highly successful cheese snack brand Cheestrings.

Additionally, the acquisition has broadened Kerry's activities into the fast growing cream liqueur and ready-to-drink cocktails markets. St. Brendan's Cream Liqueur, produced in Derry, Northern Ireland, is focused on the branded cream liqueur market primarily in the U.S. and Scandinavia, and also on the supply of customer branded/exclusive label brands of cream liqueur and ready-to-drink cocktails to the UK market.

business review americas

...industry consolidation as experienced in 2001 is viewed as positive for the Group – one of the few ingredient companies with the scale and capabilities to service customers on a global basis.



In a competitive environment, Kerry made good progress in terms of growth and business development in American markets. Growth in the second half of 2001 was particularly encouraging and a number of strategic acquisitions were made in flavour, speciality ingredients and foodservice markets. Sales from continuing operations grew by 8.3% to €762.3m and operating profits from continuing operations increased by 8.8% to €100.5m. Businesses acquired during 2001 contributed €39.4m in sales and €4.8m in operating profit.

2001 was a year of unparalleled change in the North American food industry, affecting virtually all categories of food products. The pace of industry consolidation, involving many major global food processors, had the effect of delaying market development initiatives and increasing the level of production outsourcing. Against this background, Kerry's performance was very encouraging and, long term, industry consolidation as experienced in 2001 is viewed as positive for the Group – one of the few ingredient companies with the scale and capabilities to service customers on a global basis.

Kerry's performance in North America was assisted in 2001 by a major reorganisation of its businesses, initiating a Strategic Business Unit format around markets served and ingredient technologies. The new business structure facilitates expanded service levels to customers, more focus on development of each technology area, an enhanced ability to integrate acquired companies, and increased opportunities for employees to make a measured contribution.

	2001	2000	1999
Sales	€801.7m	€703.9m	€615.0m
Operating Profit	€105.3m	€92.4m	€76.3m


OSCAR

In the specialty ingredients division, reorganisation brought a renewed focus to the technology areas for which Kerry has become a global leader. Development initiatives embracing Kerry's flavour and technical capabilities in cheese and dairy technology provided novel value-added ingredients and systems in non-powdered formats. The Armour Food Ingredients business, acquired prior to year-end 2000, was successfully integrated and the Springfield, Kentucky facility was closed following transfer of operations to Kerry's other specialty ingredients plants.

In August 2001, SPI Foods Inc., operating from a modern production facility in Fremont, Nebraska, was acquired. SPI is a leader in the development and manufacture of specialty extruded ingredients for customised application in ready-to-eat cereals, health and energy bars and snack foods. The SPI business also manufactures microwaveable pre-cooked pastas for foodservice and retail markets, including its signature brand Pasta De Fino™ NoBoil® Lasagna.

Sweet ingredients showed continued growth, in particular through development of nutritionally fortified particulates for ready-to-eat breakfast cereal markets and functional coatings for the high growth energy bar sector. A US$5m state-of-the-art production line was commissioned at the New Century, Kansas facility to meet the growing demand in cereal particulates markets.

In the USA, Kerry increased its market share in meat seasonings through the acquisitions of Creative Seasonings & Spices and Alferi Laboratories. Creative Seasonings & Spices, with processing and technical development facilities located in Sturtevant, Wisconsin, strengthens Kerry's capability in development of seasoning blends and flavouring systems for application in the prepared foods, processed meats, snack and dairy industries. Prior to year-end, a US$3m expansion programme at the Sturtevant facility was initiated. Alferi Laboratories, based in Little Chute, Wisconsin, enhances Kerry's position as a leading supplier of meat seasonings to the U.S. food industry. Alferi has a well established reputation for providing innovative, customised seasonings and liquid sauce systems for applications in the processed meats, prepared foods and foodservice sectors. The acquired businesses were successfully integrated into a market-based seasonings business, focused on meat and poultry, snack food, prepared food and foodservice customer segments.

Added-value poultry products continue to drive growth in both retail and foodservice markets. Kerry's coating technology again achieved good growth by providing consumer preferred flavour and texture. A novel coating technology was introduced which replicates the flavour and appearance of rotisserie cooked chicken through conventional cooking processes. The new Calhoun, Georgia manufacturing facility, which will be completed and fully commissioned in 2002, will support Kerry's further growth and development in the region's fast growing poultry and seafood processing sectors.

In 2001, due to the on-going rapid growth in the nutritional and organic ingredients sector, Kerry also established a dedicated business unit – Nutriant™, by combining the Solnuts and Iowa Soy businesses, to focus development in this specialist market. Iowa Soy, acquired in 2001, operates from two production facilities in Vinton, Iowa and produces low-fat, low-fibre soy flour, low-fat soy grits and textured soy proteins for the health and nutritional foods industries.

The recently acquired North American technologies also contributed to a strong performance in Canada, where outsourcing trends are also prevalent.

In Mexico and Central America, Kerry also made further progress in the bakery, snack and convenience sectors and has now established a leading position as a supplier of cheese and dairy ingredients in this region. The recently concluded Free Trade Agreement between Mexico and Chile has also contributed to food industry development. During 2001, the Group allocated additional resources to capitalise on industry growth markets in the region. A new corporate headquarters for Mexico and Central America was opened at the World Trade Centre, Mexico City and representative offices were also established in Venezuela and Colombia.

Kerry's Golden Dipt Foodservice business is a leading supplier of Golden Dipt® coatings, bakery and griddle mixes, Wingers™ hot sauces and Snowflake® coconut to the U.S. foodservice industry. Since year-end the Group announced the proposed acquisition of Stearns & Lehman, a leading manufacturer of coffeehouse chain, foodservice and branded Italian-style flavoured syrups, beverage flavourings and toppings for the speciality coffee and beverage industries. The business, which is

...our ingredients combine culinary flair and technical expertise to deliver flavour, aroma and functionality across the entire spectrum of added value food applications.

one of the largest flavouring syrup manufacturers in the world and the leading private label manufacturer of Italian-style syrups in the U.S., Canada, Europe and the Pacific Rim, currently operates from manufacturing facilities in Mansfield, Ohio; Kent, Washington and Richmond (B.C.), Canada. The continued growth in international speciality coffee markets and the expansion of foodservice provide strong business development opportunities for Stearns & Lehman beverage products and flavourings.

As outlined in the European business review in this Report, the Group has focused considerable attention and resources on the development and expansion of its global flavour capabilities in 2001. This led to the acquisitions of U.S. based Geneva Group and Hickory Specialties, Inc. in late 2001. The Geneva Group; comprising Flavtek Inc., Geneva Flavors Inc. and Gilette Food Flavorings LLC, with technical and product development facilities based in Madison, Los Angeles and New Jersey, USA; is a leading provider of flavours and technology for savoury and sweet applications to foodservice and processed food manufacturers. Geneva Flavors and Gilette Food Flavorings produce a complete line of savoury, dairy and cheese flavours. Gilette is also a specialist fruit flavour provider through distillates, essences, extracts and concentrated natural fruit and juice flavours. Flavtek is a producer of sweet flavours serving the dairy, beverage, bakery, snack food and confectionery sectors in the USA.

In South American markets good progress was again achieved in advancing Kerry's business development programme in the region.

Hickory Specialties, Inc. is one of the world's leading producers of liquid smoke flavours under the 'Zesti Smoke' brand for application in sauces, marinades, glazes, smoked meats, snack seasonings, smoked seafood, soups, food coatings and prepared meals. Headquartered in Brentwood, Tennessee, USA, with manufacturing facilities in Crossville, Tennessee and Greenville, Missouri, the business has a well established customer base in the U.S. market and a strong international sales network in particular in Japan, Brazil and Europe.

Kerry's enlarged flavour technical capability is now focused on meeting the requirements of the Group's multinational customers on a worldwide basis and demonstrating its leading technologies in the areas of distillation, natural extraction and Maillard reaction chemistry – together with the new technologies added through the Geneva and Hickory acquisitions.

In South American markets good progress was again achieved in advancing Kerry's business development programme in the region. Brazil's strengthening economy and a continuous shift towards convenience in consumer eating habits contributed to Kerry's satisfactory growth in 2001. Good progress was achieved through cheese and dairy flavouring systems, meat seasonings, coating systems and speciality lipids. The progressive development of Brazil's added-value poultry industry again increased demand for Kerry's coatings technologies. In the final quarter of the year sweet coatings and inclusion systems were added to Kerry's technology base in the region. Development in 2001 was also boosted by the acquisitions of Nutrir Productos Alimenticios S.A. and Siber. Nutrir is a leading supplier of branded dehydrated convenience blends to the cappuccino, breakfast cereal, milkshake and chocolate beverage sectors in Brazil. Siber is a leading branded supplier of sweet flavourings and texture delivery systems to the ice cream, bakery and confectionery markets in Brazil. With a well established distribution and customer base, and processing facilities located near Sao Paulo, Siber extends to Brazil Kerry's range of sweet ingredients including low-water activity sweet-fillings.

business review asia pacific

In a relatively weak economic environment in Kerry's Asia Pacific markets in 2001, overall sales were just ahead of the previous year, while operating margins contracted due primarily to new factory start-up issues. Turnover from continuing operations in the region was €132.9m and operating profits reduced by 6.1% to €11.4m.

In 2001, Kerry Australia was adversely affected by the difficulties experienced by the Australian food industry which resulted in lower profitability in the industry. Nevertheless Kerry continued to make progress through coatings, meat seasonings and savoury flavours in the poultry and prepared foods industries. Significant development with quick-service-restaurant chains was also achieved through marinade and coating systems. Pinnacle strengthened its position as the leading supplier of bakery ingredients in Australia. Good growth was achieved through major retail groups. In flavours, a new Australian business unit was established to build Kerry's flavour base in the region in line with the Group's global strategy. In New Zealand good growth continued, mainly through new product launches in quick-service-restaurants.

Expansion of the Brisbane processing facility and a major upgrade of Kerry Australia's second major plant at Altona, Victoria were completed in 2001. Operations are now fully aligned to business requirements. The new headquarters and research & development facility at Newington, Sydney was also completed.

Weaker economic conditions in Asian markets, coupled with capacity limitations at the Johor Bahru facility in the first half of 2001, meant that sales growth was lower than expected. However Kerry's market development programme in the region was further advanced, which augurs well for the Group's coatings, seasonings and speciality ingredients technologies. The new processing facilities in Malaysia were commissioned in May 2001, establishing the largest and most technically advanced ingredients facility of its kind in Asian markets. In coatings good progress was achieved in the region's rapidly expanding added-value poultry sector and through local QSR chains. Cheese and dairy flavourings benefited from consumer trends in the snack and biscuit sectors, and in the nutritional sector the outlook for Kerry's speciality lipids technologies is very encouraging particularly in North East Asian markets.

	2001	**2000**	**1999**
Sales	€134.0m	€131.2m	€135.0m
Operating Profit	€11.5m	€12.1m	€7.0m


8
250
225
7
200
175

financial review

Results

Turnover growth of 14.5% combined with an increase in operating profit before goodwill amortisation and exceptional items from €233.7m to €260.4m resulted in a 10.5% increase in earnings per share before goodwill amortisation and exceptional items. This very satisfactory rate of earnings per share growth in 2001, when added to previous years performance, gives a compound annual growth rate in earnings per share of 17.1% over the last five years and 18.3% since going public in 1986.

Free cash flow

An important measure of Group performance is the amount of cash generated by operations and in the year under review operating cash flow (EBITDA) of €330.9m was generated by the Group. Free cash flow of €101.3m remained after cash expenditure on capital works of €89.0m, interest of €45.7m, tax of €44.3m and dividends of €16.6m. Over the last five years free cash flow has amounted to €544.2m which has been used to fund the expansion of the Group and repay borrowings.

	1997 €m	1998 €m	1999 €m	2000 €m	2001 €m
EBITDA*	171.7	225.6	258.7	296.2	330.9
Reduction / (increase) in working capital	19.5	41.5	3.6	12.8	(34.0)
Capital expenditure (net)	(30.3)	(65.1)	(79.4)	(95.7)	(89.0)
Interest	(33.4)	(44.7)	(39.5)	(47.6)	(45.7)
Taxation	(9.5)	(26.6)	(28.1)	(42.1)	(44.3)
Dividends	(8.4)	(10.1)	(12.0)	(14.2)	(16.6)
Free cash flow	**109.6**	**120.6**	**103.3**	**109.4**	**101.3**

*Before exceptional items

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

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

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

These financial exposures are managed through operational means and by using approved financial instruments.

Group policy requires that credit exposures may only be taken with banks or financial institutions that have been approved by Group Treasury. The Group controls its dealing activity by providing dealing mandates to, and operating standard settlement instructions with, its banking counterparts. The Finance Committee approves the financial instruments that may be used.

Foreign currency management

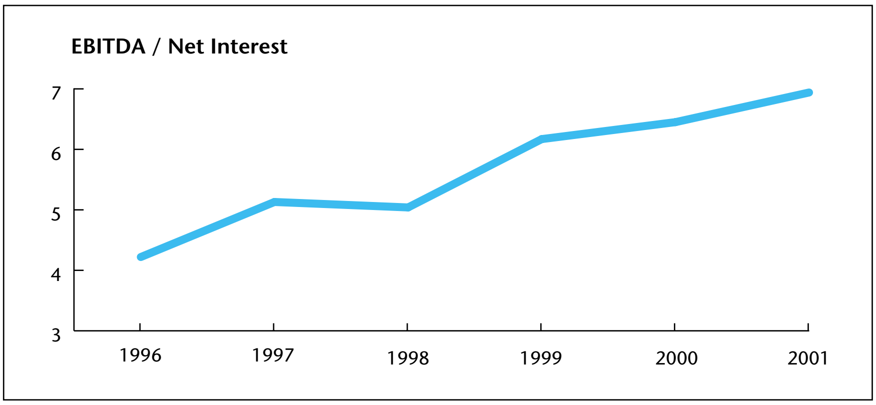
The principal foreign currency exposures arise on Sterling and US Dollar purchases and receivables. Exposures arising in a currency are netted in the first instance, material balances remaining after netting are hedged using foreign exchange forward contracts. The Group minimises the effect of balance sheet translation exposure primarily through matching net foreign currency investments with foreign currency borrowings.

Interest rate management

The Group finances its operations through a combination of share capital, retained profits, bank borrowings and debt raised from institutional investors. The Group's exposure to interest rate fluctuation is managed by optimising the mix of fixed and floating rate borrowings. As at 31 December 2001, 34% of Group net debt was at fixed interest rates.

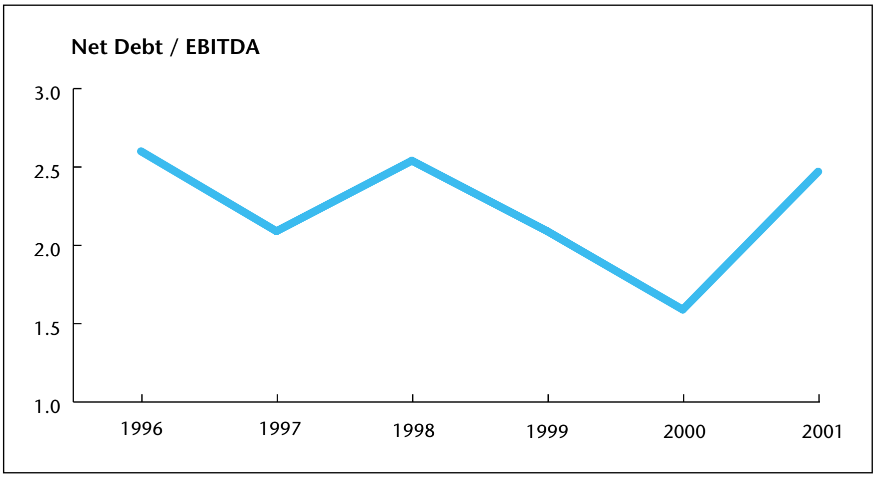
Funding and liquidity management

Group liquidity is managed through ensuring a diversity of funding sources, having an appropriate spread of debt maturities, maintaining Group target financial ratios and maintaining effective relationships with funding providers. The Group is considered a prime borrower by, and maintains a strong relationship with, its providers of finance. The Group has performed strongly against the key funding ratios of EBITDA to net interest, and net debt to EBITDA over the last 5 years as illustrated by the following graphs:



The Group aims to have at least 70% of net borrowings maturing after 2 years. As at 31 December 2001, 74% (2000: 87%) of Group net debt matures after 2 years.

Further information on borrowings and financial instruments is contained in note 28 to the financial statements.



financial history

Kerry Group Profit and Loss Account
10 Year History

	1992 €'000	1993 €'000	1994 €'000	1995 €'000	1996 €'000	1997 €'000	1998 €'000	1999 €'000	2000 €'000	2001 €'000
Turnover	1,049,739	1,117,338	1,120,794	1,522,534	1,565,908	1,706,692	2,200,001	2,456,352	2,621,913	3,002,781
Operating profit										
Before goodwill amortisation and exceptional items	58,920	63,736	70,533	108,866	115,031	133,184	173,379	203,614	233,747	260,445
Goodwill amortisation	-	-	-	-	-	-	9,573	12,103	15,364	23,367
Operating profit before exceptional items	58,920	63,736	70,533	108,866	115,031	133,184	163,806	191,511	218,383	237,078
Profit / (loss) on sale of assets	(309)	(13)	456	(2,140)	-	-	112	-	-	-
Interest payable and similar charges	17,635	13,956	14,701	37,744	35,395	33,437	44,744	42,309	45,680	47,644
Profit before taxation and exceptional items	40,976	49,767	56,288	68,982	79,636	99,747	119,174	149,202	172,703	189,434
Taxation	4,953	7,566	9,498	6,419	9,019	17,681	24,380	34,662	40,649	46,541
Profit after taxation and before exceptional items	36,023	42,201	46,790	62,563	70,617	82,066	94,794	114,540	132,054	142,893
Exceptional items (net of tax)	-	-	-	-	-	-	-	(39,062)	450	570
Minority interest	198	235	-	-	-	-	-	-	-	-
Profit attributable to Kerry Group plc	35,825	41,966	46,790	62,563	70,617	82,066	94,794	75,478	132,504	143,463
Dividends	4,478	5,151	5,851	6,928	7,959	9,153	11,620	13,539	15,603	18,491
Retained profit for the year	31,347	36,815	40,939	55,635	62,658	72,913	83,174	61,939	116,901	124,972
Earnings per ordinary share before goodwill amortisation and exceptional items (cent)	23.0	26.9	29.8	38.2	43.0	50.0	61.1	73.6	85.6	94.6

directors and other information

Directors

Denis Brosnan, *Chairman*
Denis Buckley, *Vice Chairman*
Hugh Friel, *Managing Director**
Denis Cregan, *Deputy Managing Director**
Michael Griffin*
Brian Mehigan*
Stan McCarthy*
James L. Brosnan
James V. Brosnan
Walter Costelloe
Michael Dowling
Richard Fitzgerald
Cathal Foley
Michael Gabbett
Michael Harty
Philip Healy
Kevin Kelly
Thomas McEnery
Eugene McSweeney
Patrick O'Connell

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

**Executive*

Secretary and registered office

Brian Durran
Prince's Street
Tralee
Co. Kerry
Ireland

Registrar and transfer office

Registrar's Department
Kerry Group plc
Prince's Street
Tralee
Co. Kerry
Ireland

Report of the Directors

The Directors submit their annual report together with the audited financial statements for the year ended 31 December 2001.

Principal activities

Kerry Group is a major international food ingredients and consumer foods corporation with leadership positions in European and American markets.

Listed on the Dublin and London Stock markets, Kerry has established over 100 manufacturing facilities across four continents and provides over 10,000 food and ingredient products via its network of international sales and technical centres to a wide customer base in 80 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 in global food ingredients markets and to further develop its consumer foods business in Ireland and the United Kingdom.

Results and dividends

The Directors are pleased to report profit before taxation and exceptional items of €189.4m (an increase of 9.7% over 2000) and earnings per share before goodwill amortisation and exceptional items of 94.6 cent (an increase of 10.5% over 2000). Turnover in the period amounted to €3.0 billion (an increase of 14.5% over 2000). Further details of the results for the year are set out in the profit and loss account on page 48 and in the related notes forming part of the financial statements.

On 25 February 2002, the Directors recommended a final dividend totalling €12.5m in respect of the year ended 31 December 2001 (see note 8 to the financial statements). The dividend is in addition to the interim dividend paid to shareholders on 30 November 2001 which amounted to €6.0m.

The final dividend will be paid on 31 May 2002 to shareholders registered on the record date 3 May 2002. This dividend per share is an increase of 10.1% over the final dividend paid on 29 May 2001.

Acquisitions and disposals

Acquisitions
The Group completed a number of acquisitions during the year, the most significant of which was Golden Vale plc, for a total consideration including debt acquired of €617m. The businesses acquired are described in the Managing Director's Review and in note 25 to the financial statements.

Disposals
The Group disposed of a number of minor businesses during the year, including SPP Bakery Ingredients in the UK.

Events since the year end

Since the year end, the Group has decided on a significant reorganisation and rationalisation plan for the businesses acquired during 2001. The plan involves a reduction in the number of manufacturing facilities, alignment of systems and a restructuring of administration and management functions as the businesses are integrated into the Group. The timeframe for the plan is predominantly within 2002 and is expected to cost in the region of €52m. The benefits should begin to be realised before the end of the 2002 financial year.

In January 2002, the Group announced the proposed acquisition of Stearns & Lehman Inc., headquartered in Mansfield, Ohio, USA. The transaction is subject to Stearns & Lehman shareholder approval.

In February 2002, the Group agreed, subject to due diligence, to sell the Bailieboro milk processing business, comprising the former Bailieboro and Westmeath Co-operatives, to Lakeland Dairies. The Bailieboro business was acquired as part of the Group's acquisition of Golden Vale plc, which was concluded in September 2001.

There have been no other significant events, outside the ordinary course of business, affecting the Group since the year end.

Research and development

Research and development programmes to develop existing and new technologies are critical to the success of the Group. To facilitate this, as well as the spread of its core technologies throughout the world, Kerry has established technical "Centres of Excellence" in each of its major markets. In these centres food technologists, assisted by culinary and sensory resources, develop new and innovative food products which meet customer and consumer needs in the fast changing food marketplace.

Expenditure on research and development amounted to €58.7m in 2001 (2000: €52.4m).

Employees

The wholehearted commitment and enthusiasm of all employees is central to the success of the Group. Accordingly, communication of information and exchange of ideas are actively encouraged and managed across the Group. Training initiatives are in line with corporate objectives and management supports a learning culture whereby employees are encouraged and assisted to develop and grow with 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 2001 was 15,003 (2000: 13,410), while the total number of employees at year end was 16,668.

Health and safety

The Group complies with national health and safety legislative requirements in each country of operation. The well-being of all employees is safeguarded through strict adherence to Group policy and standards as well as local regulations and best practice.

The environment and the community

The Group is committed to its social and legal responsibilities with regard to the communities within which it operates and to the environment at large. This commitment is borne by its continued investment in facilities, systems and processes that measure and manage waste emission, energy consumption, and materials and packaging conservation. Kerry, through the adoption of best practice procurement policies, also recognises the requirement to source sustainable raw materials as it continuously seeks to enhance its role as a leading international food company and supplier of quality products to its valued customers. Through continuing to develop employees' knowledge regarding environmental responsibilities and best practice, the Group is fully committed to environmental protection as a fundamental part of all business activities.

Future developments

While continuing to build and consolidate Kerry's strong positions in consumer foods and ingredients markets, the Group is also focused on developing leadership positions in the global flavour and nutrition sectors.

Potential acquisitions, both significant and bolt-on, will continue to be reviewed and considered.

Board of Directors

The Board consists of five executive and fifteen non-executive Directors. The current Directors are as listed on page 35.

Chairman

As announced on 26 February 2001, Dr. Denis Brosnan (57) was appointed Chairman of the Company with effect from 1 January 2002. Dr. Brosnan was Managing Director of Kerry Group plc since its formation and has been Chief Executive of Kerry Co-operative Creameries Limited since 1974. He is Chairman of the Irish Horseracing Authority and is a director of a number of other public and private companies in the UK and Ireland.

Executive Directors

Mr. Hugh Friel (57) was appointed Managing Director of the Company with effect from 1 January 2002. He was formerly Deputy Managing Director and has been with the Group since its formation.

Mr. Denis Cregan (55) is Deputy Managing Director of the Company and has been with the Group since its formation. He is Chief Executive Officer (CEO) of the Group's Ingredients Division. He is also Chairman of Kerry Airport plc.

Mr. Stan McCarthy (44) is an executive Director and is President and CEO of Kerry Ingredients Americas.

Mr. Michael Griffin (54) is an executive Director and is CEO of the Group's Consumer Foods Division, Kerry Foods.

Mr. Brian Mehigan (40) was appointed to the Board as Finance Director on 25 February 2002. He has worked as Group Controller of Kerry Group plc since 1989. He is a fellow of the Institute of Chartered Accountants in Ireland and a graduate of National University of Ireland, Cork.

Non-executive Directors

Mr. Denis Buckley (56), Vice Chairman, is a director of Irish Agricultural Wholesale Society Limited, IAWS Group plc and is Chairman of Kerry Co-operative Creameries Limited.

Mr. James V. Brosnan (60) is a director and Council Member of Irish Co-operative Organisation Society Limited and Kerry Co-operative Creameries Limited.

Mr. Michael Dowling (57) is a director of Irish Distillers Limited, An Bord Bia and a number of other private companies. He is a former Secretary General of the Department of Agriculture, Food and Rural Development in Ireland and is a visiting professor in the Faculty of Food Science and Technology at National University of Ireland, Cork. He is a member of the European Commission conciliation body. He is head of Agri Strategy in Allied Irish Banks, plc.

Mr. Kevin Kelly (60) was appointed to the Board on 1 June 2001. He was formerly Managing Director of AIB Bank, prior to which he had a long and distinguished career as a Chartered Accountant. He is currently Chairman of the Irish Management Institute.

Mr. Philip Healy (68) is a director of Irish Co-operative Society Limited.

Mr. Patrick O'Connell (68) is a director of the National Dairy Council.

The other non-executive Directors (with the exception of Mr. Richard Fitzgerald who has no other directorships) are directors of Kerry Co-operative Creameries Limited.

Board changes

Dr. Ivor Kenny who had been a non-executive Director of the Group since 1997, retired at the Annual General Meeting (AGM) in May 2001.

The Board co-opted Mr. Kevin Kelly as a non-executive Director on 1 June 2001. Mr. Kelly retired from his position as Managing Director of AIB Bank in June 2001, having joined the bank as Group Financial Director in 1991. He was Managing Partner of Coopers & Lybrand (Ireland) from 1982 to 1989. In 1983, he was appointed Executive Chairman of PMPA Insurance Company by the Irish Government. From 1989 to 1991 he was Group Chief Executive of Agra Group.

Mr. John O'Connor and Mr. Roger O'Rahilly retired from the Board on 31 October 2001. On 25 February 2002 the Board co-opted Mr. Cathal Foley (53) and Mr. Walter Costelloe (62), both of whom are directors of Kerry Co-operative Creameries Limited, to fill the vacancies caused by the retirement of Mr. O'Connor and Mr. O'Rahilly respectively.

Mr. Michael Hanrahan, who was Chairman of the Company since 1986, retired on 31 December 2001.

Election of Directors

Under Article 102 of the Articles of Association of the Company, Mr. Kevin Kelly, who was appointed to the Board on 1 June 2001 and Mr. Brian Mehigan, Mr. Walter Costelloe and Mr. Cathal Foley who were appointed to the Board on 25 February 2002, will retire at the AGM to be held on 27 May 2002 and are seeking re-election at that meeting.

In addition, Dr. Denis Brosnan, Mr. Denis Buckley, Mr. Philip Healy, Mr. Stan McCarthy and Mr. Patrick O'Connell retire by rotation and are seeking re-election.

Directors' and Company Secretary's interests

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:

	Number of A Ordinary Shares	
	31 December 2001	*31 December 2000*
Directors		
Denis Brosnan	668,000	308,000
James L. Brosnan	23,304	23,304
James V. Brosnan	25,069	25,069
Denis Buckley	140,314	140,314
Walter Costelloe	9,627	9,627
Denis Cregan	262,500	262,500
Michael Dowling	2,200	1,200
Richard Fitzgerald	20,906	20,906
Cathal Foley	19,789	19,789
Hugh Friel	325,000	325,000
Michael Gabbett	11,805	11,805
Michael Griffin	106,700	106,700
Michael Harty	36,227	36,227
Philip Healy	64,026	64,026
Kevin Kelly	9,000	–
Brian Mehigan	30,000	9,000
Stan McCarthy	36,279	36,279
Thomas McEnery	1,250	1,250
Eugene McSweeney	26,031	26,031
Patrick O'Connell	99,752	99,752
Company Secretary		
Brian Durran	22,900	22,900

The above holdings have not changed between 31 December 2001 and the date of this report.

Directors' and Company Secretary's interest in share options

	Number of shares over which options are held						
	At beginning of year	*Exercised*	*At end of year*	*Option price*	*Market price at date of exercise*	*Earliest exercisable date*	*Latest exercisable date*
Directors							
D. Brosnan	360,000	(360,000)	–	€8.00	€13.73	–	–
H. Friel	200,000	–	200,000	€8.00	–	30 June 2000	1 October 2006
D. Cregan	200,000	–	200,000	€8.00	–	30 June 2000	1 October 2006
M. Griffin	125,000	–	125,000	€8.00	–	30 June 2000	1 October 2006
S. McCarthy	125,000	–	125,000	€8.00	–	30 June 2000	1 October 2006
Company Secretary							
B. Durran	30,000	–	30,000	€8.00	–	30 June 2000	1 October 2006

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.

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	64,148,067	35
Bank of Ireland Asset Management Limited	8,856,467	5
AIM Funds Management Inc.	8,120,184	4
AIB Investment Managers Limited	7,314,963	4

Apart from the foregoing, 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 accounting standards generally accepted in Ireland and comply with Irish statute comprising the Companies Acts, 1963 to 2001, the European Communities (Companies: Group Accounts) Regulations, 1992 and the Listing Rules of the Irish and UK Stock Exchanges. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Corporate Governance

Kerry Group plc is committed to achieving high standards of corporate governance throughout the Group. The Board considers that it has complied throughout the financial period with the provisions laid out in section 1 of the Combined Code: Principles of Good Governance and Code of Best Practice (The Combined Code) except in relation to the requirements to appoint a senior independent non-executive Director and a Nomination Committee, the reasons for which are detailed below.

The Board of Directors

The Board leads and maintains effective control over the Group's activities and comprises five executive Directors and fifteen non-executive Directors. All non-executive Directors are considered to be independent and there is a clear division of responsibilities between the roles of Chairman and Managing Director. The Board is of the opinion that the non-executive Directors as a group are of sufficient calibre and number to bring strength and independence to the Board and hence does not propose to nominate any one non-executive Director to be a senior independent Director.

The Board meets monthly, with additional meetings to consider the interim and full-year results, and more frequently as considered necessary. It has a formal schedule of matters specifically reserved to it for decision which includes approval of the overall Group strategic plan, annual budgets, acquisitions and divestitures, risk management, treasury and accounting policies and major corporate activities.

All Directors have full and timely access to such information, as they require, to discharge their responsibilities fully and effectively – they receive monthly Group management financial statements and reports, and Board papers are sent to each in sufficient time before Board meetings. The Chairman of each Committee of the Board is available to give a report on the Committee's proceedings at Board meetings as required. Each Director has access to the advice and services of the Company Secretary, whose responsibility it is to ensure that Board procedures are followed and that applicable rules and regulations are complied with. In accordance with an agreed procedure, in the furtherance of their duties, each Director is, in addition, able to take independent professional advice at the Company's expense.

Appropriate training and briefing is available to all Directors on appointment to the Board, with further training available subsequently as required. Nomination responsibilities, which include considering the need for and the making of Board appointments, both executive and non-executive, are currently retained by the Board of Directors and hence the Company does not consider it necessary to appoint a separate Nomination Committee.

In accordance with the Articles of Association, all Directors are subject to election by shareholders at the next AGM following their appointment. All Directors, with the exception of the Managing Director, are required to retire by rotation every three years and may submit themselves for re-election.

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

Audit Committee

The Audit Committee comprises Mr. James V. Brosnan, Mr. Denis Buckley and is chaired by Mr. Michael Dowling, all of whom are independent non-executive Directors. It examines and reviews internal controls, compliance, financial accounting policies and practices, the form and content of financial reports and general matters brought to its attention by both the Group's Internal and External Auditors.

Remuneration Committee

The Committee comprises Mr. Kevin Kelly (Chairman), Mr. Denis Buckley and Mr. Patrick O'Connell, all of whom are independent non-executive Directors. The role of the Remuneration Committee is to determine executive Directors' remuneration, which is reviewed annually. The Committee consults with the Group Managing Director in relation to executive Directors' remuneration and has access to internal and external professional advice as required. Decisions are made within agreed reference terms, with meetings held as required. Members of the Committee have no personal interest in the outcome of their decisions and give due regard to the interests of shareholders and the performance of the Company.

Remuneration

Remuneration policy

The Group's remuneration policy is to ensure that executive Directors' remuneration properly reflects their duties and responsibilities, and is sufficient to attract, retain and motivate people of the highest quality worldwide. Remuneration includes performance related elements designed to align Directors' interests with those of shareholders and to encourage performance at the highest levels. In setting remuneration levels, the Committee has regard to comparable companies in terms of both the size of the Group and the geographical spread and complexity of its business. It also considers pay and employment conditions elsewhere in the Group. Full details of the Directors' remuneration are given on page 42.

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

Executive Directors' basic salary

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

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

Other benefits

Other benefits relate primarily to cars.

Performance related incentive awards

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

Share based incentives

The Remuneration Committee approves the terms, conditions and allocation of share options to executive Directors and senior executives. A total of 1,010,000 shares, 360,000 of which were exercised during the year, have been granted under option to the executive Directors and the respective amounts are shown on page 39.

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 in general meeting, consideration is given to both the complexity of the Group and the level of fees paid to non-executive Directors in comparable companies. Non-executive Directors do not participate in the Group's incentive plans, pension/superannuation arrangements or other elements of remuneration provided to the executive Directors.

Service contracts

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

Directors' remuneration

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

a) Executive Directors' remuneration

	Salaries 2001 €'000	Performance related 2001 €'000	Benefits-in-kind 2001 €'000	Pension 2001 €'000	Total 2001 €'000	Total 2000 €'000
Denis Brosnan	635	333	9	111	1,088	846
Hugh Friel	406	213	21	72	712	620
Denis Cregan	330	173	29	60	592	585
Michael Griffin	339	213	23	49	624	583
Stan McCarthy	362	228	38	10	638	588
	2,072	1,160	120	302	3,654	3,222

b) Executive Directors' benefits under defined benefit pension schemes

	Accrued benefits on leaving service at end of year		
	Increase during year (excluding inflation) €'000	Accumulated total at end of year €'000	Transfer value of increase in accumulated accrued benefits €'000
Denis Brosnan	138	423	2,252
Hugh Friel	42	231	551
Denis Cregan	18	194	246
Michael Griffin	10	180	149
Stan McCarthy	6	62	21
2001	**214**	**1,090**	**3,219**
2000	114	868	1,608

c) Non-executive Directors' remuneration

	Fees 2001 €	Fees 2000 €
Michael Hanrahan*	60,058	30,474
Denis Buckley	29,965	22,855
James L. Brosnan	17,522	15,237
James V. Brosnan	14,602	–
Michael Dowling	50,027	30,474
Richard Fitzgerald	17,522	15,237
Michael Gabbett	17,522	15,237
Michael Harty	17,522	15,237
Philip Healy	17,522	15,237
Kevin Kelly	29,182	–
Ivor Kenny*	7,935	19,046
Thomas McEnery	17,522	15,237
Eugene McSweeney	17,522	15,237
Diarmuid O'Connell	–	13,967
Patrick O'Connell	17,522	15,237
John O'Connor*	14,602	15,237
Daniel T. O'Sullivan	–	15,237
Roger O'Rahilly*	11,682	–
	358,229	269,186

**Retired during the year*

Non-executive Directors' remuneration consists of fees only. The total remuneration for all Directors in 2001 amounted to €4,012,229 (2000: €3,491,186). There were no other emoluments paid to the executive or non-executive Directors other than as disclosed above.

Executive share option scheme

The Group operates an executive share option scheme, the terms and conditions of which were approved by the shareholders. The policy is to grant options under the scheme to key executives across the Group to encourage identification with shareholder interests. Currently, approximately 500 executives worldwide hold options. At 31 December 2001 the total number of shares under option was 4,387,000 (2000: 5,223,000).

Relations with shareholders

The Board strongly supports a programme of regular ongoing communication with the Company's shareholders. The programme, which is formalised within an investor relations framework, includes presentations of interim and full year results and regular meetings of senior management with the Company's institutional investors. The Group's website (www.kerrygroup.com) allows a significant amount of published material, including results and presentations, to be readily accessible to all shareholders on demand. Regular communication is also entered into with individual shareholders on a wide range of issues through this medium.

The AGM provides an opportunity for the Directors to deliver presentations on the business and for shareholders, both institutional and private, to question the Directors directly. The Chairman of the Board, together with the Chairmen of the Audit and Remuneration Committees, are available to answer questions as required. Notice of the AGM, together with the Annual Report and Accounts, is 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 are announced after the result of the votes by hand.

Accountability and audit

A statement relating to the Directors' responsibilities in respect of the preparation of the financial statements is on page 40 with the responsibilities of the Company's Auditors outlined on page 45.

Going concern

The financial statements have been prepared on the going concern basis and, as required by The Combined Code, the Directors report that they have satisfied themselves that the Group is a going concern, having adequate resources to continue in operational existence for the foreseeable future. In forming this view the Directors have reviewed the Group's budget for 2002, 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.

Internal control

The Company, as required by the Irish and London Stock Exchanges, has complied with The Combined Code provisions on internal control, having established the procedures necessary to implement the guidance issued in September 1999 (The Turnbull Committee Report), and by reporting in accordance with that guidance.

The Board of Directors has overall responsibility for the Group's systems of internal control and risk management. It is also responsible for monitoring the effectiveness of these systems on an ongoing basis. The system of internal control provides reasonable, but not absolute, assurance of:

- The safeguarding of assets against unauthorised use or disposition; and
- The maintenance of proper accounting records and the reliability of the financial information it produces, for both internal use and for publication.

The key elements of the system are as follows:

- The Board of Directors reviews and approves a detailed annual budget each year which is used for comparison with monthly management accounts throughout the year;
- The Board of Directors also approves all major strategic decisions. Responsibility for each business unit is passed to local management and is overseen by the respective business manager in line with Group responsibility structures;
- Written policies and procedures are issued centrally for all material functional areas and are approved by the executive Directors;
- The Group operates a centralised treasury function which manages the financial risks of the Group;
- The Group has a clearly defined process for controlling capital expenditure including use of appropriate authorisation levels. The overall capital expenditure programme for the year is reviewed by the Board of Directors annually with specific projects being approved by the Managing Director and reported to the Board on a quarterly basis;
- All business acquisition and disposal decisions are taken exclusively by the Board of Directors;
- The Group Finance Committee, which includes Mr. Hugh Friel and Mr. Brian Mehigan, has responsibility for raising finance, reviewing foreign currency risk, making decisions on foreign currency and interest rate hedging and managing the Group's relationship with its finance providers; and
- A procedure is in place across the Group for the submission of annual risk and control reports from management, through the Audit Committee, to the Board. These reports emanate from a wider risk identification and awareness programme which cover financial, operational, business and compliance risks.

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

- The operations of the Audit Committee whose function it is to approve audit plans and deal with significant control issues raised by the Internal and External Auditors;
- The Group's internal audit function which continually reviews the internal controls and systems in all businesses, makes recommendations for improvement and reports to the Audit Committee;

- The Group has established a Corporate Compliance function designed to establish compliance policy and monitor compliance across the Group's 15 plus countries of operation, carry out compliance reviews and share best practice among the compliance functions in the individual business units;
- As part of their normal audit procedures the External Auditors test the systems of internal control and report material weaknesses, if any, to the Audit Committee;
- The Board, through the Audit Committee, has completed an annual assessment of risk and controls. Internal Audit has facilitated the Board in this assessment by preparing a consolidated Group Risk and Control Report for their review. In addition, as part of the monitoring process, the Audit Committee will immediately convene to deal with any significant control weaknesses reported by Internal Audit and Management;
- Adherence to the policies outlined in the Group's procedures manual ensures all the key controls in the internal control system are complied with; and
- Any significant variance between the budget and the detailed monthly management accounts is investigated by management and remedial action is taken as necessary.

The Directors confirm that they have reviewed the effectiveness of the system of internal control operated during the period covered by these accounts and up to the date of this report. The procedures adopted also comply with the guidance contained in *Internal Control: Guidance for Directors on the Combined Code*.

Finally, to ensure that proper books of accounting records are kept for the Company in accordance with section 202 of the Companies Act, 1990, the Directors have employed appropriately qualified accounting personnel and have maintained appropriate computerised accounting systems. The books of account are located at the Company's registered office.

Subsidiaries

The principal subsidiaries are listed in note 32 to the financial statements.

Auditors

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

Pensions

Information in relation to the Group's pension schemes is given in note 30 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 2001.

Signed on behalf of the Board:

Denis Brosnan, Chairman

Hugh Friel, Managing Director

25 February 2002

Independent Auditors' Report to the Shareholders of Kerry Group plc

We have audited the financial statements of Kerry Group plc for the year ended 31 December 2001 which comprise the Statement of Accounting Policies, the Consolidated Profit and Loss Account, the Consolidated Balance Sheet, the Company Balance Sheet, the Consolidated Cash Flow Statement, the Statement of Total Recognised Gains and Losses, the Note of Historical Cost Profits and Losses and the related notes 1 to 32. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of Directors and Auditors

The Directors are responsible for preparing the Annual Report, including as set out in the Statement of Directors' Responsibilities, the preparation of the financial statements in accordance with applicable Irish law and accounting standards. Our responsibilities, as independent Auditors, are established in Ireland by statute, the Listing Rules of the Irish Stock Exchange, the auditing standards as promulgated by the Auditing Practices Board in Ireland, and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with Irish statute comprising the Companies Acts, 1963 to 2001 and the European Communities (Companies: Group Accounts) Regulations, 1992. We also report to you whether in our opinion: proper books of account have been kept by the Company; whether, at the balance sheet date, there exists a financial situation requiring the convening of an extraordinary general meeting of the Company; and whether the information given in the Report of the Directors is consistent with the financial statements. In addition, we state whether we have obtained all the information and explanations necessary for the purpose of our audit and whether the Company's balance sheet is in agreement with the books of account.

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

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

We read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Report of the Directors, the Chairman's Statement, the Managing Director's Review, the Business Review and the Financial Review. We consider the implications for our report if we become aware of any apparent misstatement or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31 December 2001 and of the profit of the Group for the year then ended and have been properly prepared in accordance with the Companies Acts, 1963 to 2001 and the European Communities (Companies: Group Accounts) Regulations, 1992.

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

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

The net assets of the Company, as stated in the balance sheet of the Company, 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 2001 a financial situation which, under section 40(1) of the Companies (Amendment) Act 1983, would require the convening of an extraordinary general meeting of the Company.

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

25 February 2002

Statement of Accounting Policies

The significant accounting policies adopted by the Group are as follows:

Basis of preparation

The financial statements have been prepared in accordance with accounting standards generally accepted in the UK and Ireland and Irish statute comprising the Companies Acts, 1963 to 2001 and the European Communities (Companies: Group Accounts) Regulations, 1992 and the Listing Rules of the Irish and UK Stock Exchanges.

Accounting convention and reporting currency

The Group financial statements are prepared under the historical cost convention. The 2001 financial statements and the 2000 comparative figures are presented in Euro.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries all of which present financial statements up to 31 December. The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from the date of their acquisition or up to the date of their disposal.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation. Freehold land is not depreciated. Depreciation on the remaining tangible fixed assets is calculated by charging equal annual instalments to the profit and loss account so as to provide for their cost over the period of their expected useful lives at the following annual rates:

Buildings	2% – 5%
Plant, Machinery and Equipment	7% – 25%
Motor Vehicles	20%

Goodwill and other intangible assets

Goodwill represents the difference between the cost of businesses acquired and the aggregate of the fair values of their identifiable net assets at the date of acquisition. Goodwill arising on acquisitions since 1998 has been capitalised on the balance sheet and is amortised to the profit and loss account in equal annual instalments over its expected useful life, not exceeding 20 years.

Goodwill in respect of acquisitions prior to 1998 remains eliminated against reserves and will be charged or credited to the profit and loss account only on subsequent disposal.

Other intangible assets acquired are capitalised at their fair value and are amortised to the profit and loss account over their estimated useful lives, not exceeding 20 years. Other intangible assets include such items as trademarks, patents and knowhow.

Foreign currency

Foreign currency transactions are translated into local currency at the rate of exchange ruling at the date of the transaction, or where applicable, at the contracted rate.

Assets and liabilities denominated in foreign currencies are translated into local currency at contract rates where the amounts payable and receivable are covered by forward contracts. All other amounts payable and receivable are translated at rates of exchange ruling at the balance sheet date.

Exchange adjustments arising from the retranslation of the opening net investment in foreign subsidiaries are transferred directly to reserves. All other exchange differences are taken into account in arriving at the profit before taxation.

Stocks

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

Deferred taxation

Deferred taxation represents the amount required to allow for the effect of certain items of income and expense (primarily depreciation) being attributable for tax purposes to periods different from those in which credits or charges are recorded in the financial statements. Such taxation is determined using the liability method, by applying the rate of tax applicable at the balance sheet date to the accumulated timing difference.

Deferred taxation is not provided where, in the opinion of the Directors, there is reasonable evidence that such taxation will not become payable in the foreseeable future and there is no indication that the situation will change thereafter.

Pensions

The expected cost of providing pensions to employees is charged to the profit and loss account at a substantially level percentage of payroll over the employees' expected service lives. Any difference between the amount so charged and the amount contributed to pension funds is included as an accrual in the financial statements.

Research and development

Expenditure on research and development is written off in the year in which it is incurred.

Development grants

Development grants of a capital nature are accounted for as deferred income and are released to the profit and loss account at the same rates as the related assets are depreciated.

Operating leases

The annual rentals payable under operating leases are charged to the profit and loss account on a straight line basis over the period of the lease.

Financial instruments

Gains and losses on derivative financial instruments used to hedge foreign currency exposures are recognised in the profit and loss account when the underlying transaction occurs.

When a financial instrument ceases to be a hedge, the instrument is closed out and the resulting gain or loss is taken directly to the profit and loss account.

New standards adopted

FRS 18 “Accounting Policies” and the transitional provisions of FRS 17 “Retirement Benefits” have been adopted in the Group’s 2001 financial statements. The adoption of FRS 17 and FRS 18 has had no effect either on the results for the current year or on results reported in prior periods. The additional disclosures required by FRS 17 are set out in note 30.

Consolidated Profit and Loss Account

for the year ended 31 December 2001

	Notes	Pre Exceptional Items 2001 €'000	Exceptional Items 2001 €'000	Total 2001 €'000	2000 €'000
Turnover					
Continuing operations		2,753,024	–	2,753,024	2,621,913
Acquisitions		249,757	–	249,757	–
	1	3,002,781	–	3,002,781	2,621,913
Operating profit before goodwill amortisation and exceptional items					
Continuing operations		249,446	–	249,446	233,747
Acquisitions		10,999	–	10,999	–
	2	260,445	–	260,445	233,747
Goodwill amortisation	11	23,367	–	23,367	15,364
Exceptional restructuring costs	4	–	8,097	8,097	–
Operating profit	1-2	237,078	(8,097)	228,981	218,383
Profit on sale of businesses	4	–	6,205	6,205	1,194
Profit / (loss) on sale of fixed assets	4	–	2,187	2,187	(744)
Interest payable and similar charges	5	47,644	–	47,644	45,680
Profit before taxation		189,434	295	189,729	173,153
Taxation	6	46,541	(275)	46,266	40,649
Profit after taxation and attributable to ordinary shareholders		142,893	570	143,463	132,504
Dividends – paid	8	6,004	–	6,004	5,033
– proposed	8	12,487	–	12,487	10,570
		18,491	–	18,491	15,603
Retained profit for the year	20	124,402	570	124,972	116,901
Earnings per ordinary share (cent)					
– basic before goodwill amortisation & exceptional items	9			94.6	85.6
– basic after goodwill amortisation & exceptional items	9			81.7	77.0
– fully diluted after goodwill amortisation & exceptional items	9			81.1	76.4

The financial statements were approved by the Board of Directors on 25 February 2002 and signed on its behalf by:

Denis Brosnan, Chairman

Hugh Friel, Managing Director

Consolidated Balance Sheet

as at 31 December 2001

	Notes	2001 €'000	2000 €'000
Fixed assets			
Tangible assets	10	**885,773**	671,821
Intangible assets	11	**685,941**	290,139
		1,571,714	961,960
Current assets			
Stocks	13	**362,173**	285,351
Debtors	14	**515,063**	332,035
Cash at bank and in hand		**19,794**	27,995
		897,030	645,381
Creditors: Amounts falling due within one year	15	**(775,579)**	(579,448)
Net current assets		**121,451**	65,933
Total assets less current liabilities		**1,693,165**	1,027,893
Creditors: Amounts falling due after more than one year	16	**(857,674)**	(495,807)
Provisions for liabilities and charges	17	**(5,080)**	(3,001)
		830,411	529,085
Capital and reserves			
Called-up equity share capital	18	**23,125**	21,553
Capital conversion reserve fund	20	**340**	340
Share premium account	19	**357,873**	193,651
Profit and loss account	20	**412,271**	289,470
		793,609	505,014
Deferred income	21	**36,802**	24,071
		830,411	529,085

The financial statements were approved by the Board of Directors on 25 February 2002 and signed on its behalf by:

Denis Brosnan, Chairman

Hugh Friel, Managing Director

Company Balance Sheet

as at 31 December 2001

	Notes	2001 €'000	2000 €'000
Fixed assets			
Tangible assets	10	**2,998**	3,164
Financial assets	12	**318,130**	69,477
		321,128	72,641
Current assets			
Debtors	14	**224,797**	217,760
Cash at bank and in hand		**–**	5,286
		224,797	223,046
Creditors: Amounts falling due within one year	15	**(23,490)**	(16,844)
Net current assets		**201,307**	206,202
Total assets less current liabilities		**522,435**	278,843
Creditors: Amounts falling due after more than one year	16	**(81,316)**	–
		441,119	278,843
Capital and reserves			
Called-up equity share capital	18	**23,125**	21,553
Capital conversion reserve fund	20	**340**	340
Share premium account	19	**357,873**	193,651
Profit and loss account		**59,396**	62,904
		440,734	278,448
Deferred income	21	**385**	395
		441,119	278,843

The financial statements were approved by the Board of Directors on 25 February 2002 and signed on its behalf by:

Denis Brosnan, Chairman

Hugh Friel, Managing Director

Consolidated Cash Flow Statement

for the year ended 31 December 2001

	Notes	2001 €'000	2000 €'000
Operating profit before goodwill amortisation and exceptional items		**260,445**	233,747
Depreciation (net)	22	**70,438**	62,422
Change in working capital	22	**(34,473)**	14,750
Exchange translation adjustment		**453**	(1,945)
Net cash inflow from operating activities		**296,863**	308,974
Returns on investments and servicing of finance			
Interest received		**1,882**	1,353
Interest paid		**(47,614)**	(48,937)
Taxation		**(44,298)**	(42,107)
Capital expenditure			
Purchase of tangible fixed assets		**(95,647)**	(100,837)
Proceeds on the sale of fixed assets		**5,641**	3,425
Development grants received		**993**	1,733
Purchase of intangible fixed assets		**–**	(45)
Acquisitions and disposals			
Purchase of subsidiary undertakings	25	**(599,422)**	(115,619)
Proceeds on the sale of businesses		**22,049**	97,732
Deferred creditors paid		**(30)**	(1,867)
Exceptional restructuring costs		**(8,097)**	(6,810)
Consideration adjustment on previous acquisitions		**475**	–
Equity dividends paid		**(16,574)**	(14,203)
Cash (outflow) / inflow before the use of liquid resources and financing		**(483,779)**	82,792
Financing			
Issue of share capital		**165,794**	3,004
Increase / (decrease) in debt due within one year	23	**36,590**	(30,820)
Increase / (decrease) in debt due after one year	23	**273,194**	(40,242)
(Decrease) / increase in cash in the year		**(8,201)**	14,734

Reconciliation of Net Cash Flow to Movement in Net Debt

for the year ended 31 December 2001

	Notes	2001 €'000	2000 €'000
(Decrease) / increase in cash in the year		**(8,201)**	14,734
Cash flow from debt financing		**(309,784)**	71,062
Change in net debt resulting from cash flows		**(317,985)**	85,796
Exchange translation adjustment	24	**(22,592)**	(19,611)
Movement in net debt in the year		**(340,577)**	66,185
Net debt at beginning of year		**(478,347)**	(544,532)
Net debt at end of year	23	**(818,924)**	(478,347)

Statement of Total Recognised Gains and Losses

for the year ended 31 December 2001

	Notes	2001 €'000	2000 €'000
Profit attributable to the Group		**143,463**	132,504
Exchange translation adjustment on foreign currency net investments	24	**(2,171)**	(17,274)
Total recognised gains and losses relating to the year		**141,292**	115,230

Note of Historical Cost Profits and Losses

for the year ended 31 December 2001

There are no material differences between the results reported and those prepared on a historical cost basis.

Notes to the Financial Statements

for the year ended 31 December 2001

1. Analysis of results by region

	2001 Turnover €'000	2001 Operating Profit €'000	2001 Net Assets €'000	2000 Turnover €'000	2000 Operating Profit €'000	2000 Net Assets €'000
By geographical market of origin:						
– Continuing operations	686,995	40,455	107,463	645,874	37,306	126,880
– Acquisitions	196,272	4,620	383,438	–	–	–
Ireland	**883,267**	**45,075**	**490,901**	**645,874**	**37,306**	**126,880**
– Continuing operations	1,170,870	97,073	573,337	1,140,934	91,900	579,822
– Acquisitions	12,904	1,451	82,476	–	–	–
Rest of Europe	**1,183,774**	**98,524**	**655,813**	**1,140,934**	**91,900**	**579,822**
– Continuing operations	762,304	100,541	301,666	703,869	92,422	251,846
– Acquisitions	39,424	4,783	130,913	–	–	–
Americas	**801,728**	**105,324**	**432,579**	**703,869**	**92,422**	**251,846**
– Continuing operations	132,855	11,377	69,411	131,236	12,119	48,884
– Acquisitions	1,157	145	631	–	–	–
Asia Pacific	**134,012**	**11,522**	**70,042**	**131,236**	**12,119**	**48,884**
	3,002,781	**260,445**	**1,649,335**	2,621,913	233,747	1,007,432
Goodwill amortised	**–**	**(23,367)**	**–**	–	(15,364)	–
Exceptional restructuring costs	**–**	**(8,097)**	**–**	–	–	–
Group borrowings (net)	**–**	**–**	**(818,924)**	–	–	(478,347)
	3,002,781	**228,981**	**830,411**	2,621,913	218,383	529,085

	2001 Turnover €'000	2000 Turnover €'000
By destination:		
– Continuing operations	424,909	418,261
– Acquisitions	95,798	–
Ireland	**520,707**	**418,261**
– Continuing operations	1,321,390	1,274,588
– Acquisitions	101,606	–
Rest of Europe	**1,422,996**	**1,274,588**
– Continuing operations	840,743	768,613
– Acquisitions	32,693	–
Americas	**873,436**	**768,613**
– Continuing operations	165,982	160,451
– Acquisitions	19,660	–
Asia Pacific	**185,642**	**160,451**
	3,002,781	2,621,913

Turnover, operating profit and net assets as presented above are stated net of intra Group transactions and balances.

2. Profit on ordinary activities before taxation comprises:

		Continuing Operations			
			Acquisitions	Total	
		2001	2001	2001	2000
	Notes	€'000	€'000	€'000	€'000
Turnover		**2,753,024**	**249,757**	**3,002,781**	2,621,913
Less operating costs:					
Raw materials and consumables		**1,606,803**	**180,310**	**1,787,113**	1,514,245
Other external charges		**235,943**	**37,648**	**273,591**	234,083
Staff costs	3	**480,551**	**32,621**	**513,172**	459,382
Depreciation	10	**68,460**	**5,188**	**73,648**	64,946
Development grant amortisation	21	**(2,740)**	**(470)**	**(3,210)**	(2,524)
Operating charges		**135,705**	**16,449**	**152,154**	124,886
Change in stock of finished goods		**(21,144)**	**(32,988)**	**(54,132)**	(6,852)
Operating profit before goodwill amortisation and exceptional items		**249,446**	**10,999**	**260,445**	233,747
Goodwill amortisation	11			**23,367**	15,364
Exceptional restructuring costs	4			**8,097**	–
Operating profit				**228,981**	218,383
And is stated after charging:					
Research and development costs				**58,661**	52,406
Auditors' remuneration				**1,690**	1,346

Directors' emoluments

Directors' emoluments are set out in the Directors' remuneration section of the Report of the Directors on page 42.

3. Staff numbers and costs

The average number of people employed by the Group was as set out below:

	Total 2001 Number	Total 2000 Number
Management	**329**	311
Administration	**1,198**	1,082
Production	**11,002**	9,842
Sales	**2,201**	1,914
Others	**273**	261
	15,003	13,410

The actual number employed by the Group at 31 December 2001 was 16,668.

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

	2001 €'000	2000 €'000
Wages and salaries	**447,106**	401,043
Social welfare	**46,255**	39,658
Pension costs	**19,811**	18,681
	513,172	459,382

4. Exceptional items

	Notes	2001 €'000	2000 €'000
Exceptional restructuring costs		**(8,097)**	–
Profit on sale of businesses		**6,205**	1,194
Profit / (loss) on sale of fixed assets		**2,187**	(744)
		295	450
Taxation effect of exceptional items	6	**275**	–
	9	**570**	450

The exceptional restructuring costs relate to the integration of Golden Vale plc and other acquisitions completed by the Group during the year. The costs arose from the rationalisation of manufacturing facilities, restructuring of administration and management functions, and the integration of systems and processes.

During the year the Group disposed of a number of businesses including SPP Bakery Ingredients in the UK. The taxation effect of these disposals is disclosed in note 6.

The profit on sale of businesses in 2000 relates to the sale of the Group's DCA Bakery business in the US and Canada and the sale of part of the business and assets of Dawn Dairies Limited in Ireland.

5. Interest payable and similar charges

	2001 €'000	2000 €'000
This comprises the following:		
On bank loans, overdrafts and other loans repayable within 5 years	**43,379**	41,154
On other loans repayable after 5 years	**6,147**	5,879
	49,526	47,033
Interest receivable	**(1,882)**	(1,353)
	47,644	45,680

6. Taxation

	2001 €'000	2000 €'000
The taxation charge for the year comprises:		
Based on profit on ordinary activities		
Irish corporation taxation		
Corporation taxation	**6,064**	5,534
Adjustments in respect of prior years	**(217)**	(278)
	5,847	5,256
Foreign taxation		
Corporation taxation	**42,938**	37,178
Adjustments in respect of prior years	**(1,306)**	(351)
	41,632	36,827
Deferred taxation	**(938)**	(1,434)
	46,541	40,649
Based on exceptional items		
Taxation credit arising on the exceptional restructuring costs	**(1,594)**	–
Deferred taxation arising on the disposal of the DCA Bakery business	**–**	(9,028)
Corporation taxation arising on the disposal of the DCA Bakery business	**–**	9,028
Taxation on profit on sale of businesses / fixed assets	**1,319**	–
	(275)	–

7. Profit attributable to Kerry Group plc

Profit for the year after taxation and attributable to ordinary shareholders amounting to **€14,983,000** (2000: €16,984,000) has been accounted for in the financial statements of the Holding Company.

As permitted by Section 3(2) of the Companies (Amendment) Act, 1986, a separate profit and loss account of the Holding Company is not presented.

8. Dividends

	2001 €'000	2000 €'000
Interim dividend paid of **3.25 cent** per A ordinary share (2000: 2.92 cent)	**6,004**	5,033
Final dividend proposed and payable 31 May 2002 of **6.75 cent** per A ordinary share (2000: 6.13 cent)	**12,487**	10,570
	18,491	15,603

The above dividend payments are inclusive of withholding tax. The amount of withholding tax deducted from the 2001 interim dividend was **€632,000** (2000: €418,000). The figure for withholding tax deducted on payment of the 2000 final dividend was **€903,000** (1999: €646,000).

9. Earnings per share

	Notes	EPS cent	2001 €'000	EPS cent	2000 €'000
Profit after taxation, before goodwill amortisation and exceptional items		**94.6**	**166,260**	85.6	147,418
Goodwill amortisation		**13.2**	**23,367**	8.9	15,364
Exceptional items (net)	4	**(0.3)**	**(570)**	(0.3)	(450)
Profit after taxation, goodwill amortisation and exceptional items		**81.7**	**143,463**	77.0	132,504
Share option dilution		**0.6**	**–**	0.6	–
		81.1	**143,463**	76.4	132,504

The basic weighted average number of ordinary shares in issue for the year was **175,674,473** (2000: 172,149,130). The diluted weighted average number of ordinary shares in issue for the year was **176,870,079** (2000: 173,500,688). The dilution arises in respect of executive share options outstanding.

In addition to the basic and diluted earnings per share, a pre goodwill amortisation and exceptional items earnings per share calculation is also provided, as it more accurately reflects the Group's underlying trading performance.

10. Tangible fixed assets

	Notes	Land and Buildings €'000	Plant, Machinery and Equipment €'000	Motor Vehicles €'000	Total €'000
(a) Group:					
Cost					
At beginning of year		410,951	717,411	28,920	1,157,282
Businesses acquired	25	**107,043**	**182,177**	**11,868**	**301,088**
Additions		**20,707**	**71,190**	**2,503**	**94,400**
Disposals / businesses disposed		**(7,227)**	**(27,026)**	**(3,394)**	**(37,647)**
Translation adjustment	24	**2,542**	**20,327**	**465**	**23,334**
At end of year		**534,016**	**964,079**	**40,362**	**1,538,457**
Accumulated depreciation					
At beginning of year		91,614	370,610	23,237	485,461
Businesses acquired	25	**13,531**	**82,668**	**9,511**	**105,710**
Charge during year		**16,676**	**54,605**	**2,367**	**73,648**
Disposals / businesses disposed		**(1,682)**	**(17,595)**	**(3,064)**	**(22,341)**
Translation adjustment	24	**(1,046)**	**10,893**	**359**	**10,206**
At end of year		**119,093**	**501,181**	**32,410**	**652,684**
Net book value					
At end of year		**414,923**	**462,898**	**7,952**	**885,773**
At beginning of year		319,337	346,801	5,683	671,821

	Land and Buildings €'000	Plant, Machinery and Equipment €'000	Total €'000
(b) Company:			
Cost			
At beginning and end of year	**4,514**	**688**	**5,202**
Accumulated depreciation			
At beginning of year	1,350	688	2,038
Charge during year	**166**	**–**	**166**
At end of year	**1,516**	**688**	**2,204**
Net book value			
At end of year	**2,998**	**–**	**2,998**
At beginning of year	3,164	–	3,164

11. Intangible assets

	Notes	Goodwill €'000	Other Intangibles €'000	Total €'000
Group:				
At beginning of year		177,100	113,039	290,139
Arising on acquisitions	25	**395,126**	**8,240**	**403,366**
Purchase adjustments		**2,245**	**–**	**2,245**
Disposals		**3,110**	**–**	**3,110**
Amortised during year		**(16,626)**	**(6,741)**	**(23,367)**
Exchange translation adjustment	24	**8,245**	**2,203**	**10,448**
At end of year		**569,200**	**116,741**	**685,941**

The balance at the end of the year is comprised of cost **€823.2m** (2000: €327.7m) and accumulated amortisation **€137.3m** (2000: €37.6m). Other intangibles, valued at cost, include such items as trademarks, patents and knowhow which were acquired by the Group.

12. Financial assets

	2001 €'000	2000 €'000
Group:		
Unquoted shares		
At beginning of year	–	–
Arising on acquisitions	**5,887**	–
Disposals	**(5,887)**	–
At end of year	**–**	–

In October 2001, the Group disposed of its shareholding in Dale Farm Dairies Limited, which it had acquired as part of its acquisition of Golden Vale plc.

	2001 €'000	2000 €'000
Company:		
Investments in subsidiaries at cost		
At beginning of year	69,477	69,477
Additions	**248,653**	–
At end of year	**318,130**	69,477

13. Stocks

	2001 €'000	2000 €'000
Group:		
Raw materials and consumables	**137,087**	122,226
Finished goods and goods for resale	**201,438**	147,306
Expense stocks	**23,648**	15,819
	362,173	285,351

The replacement cost of stocks does not differ materially from the amount stated above.

14. Debtors

	Group 2001 €'000	Group 2000 €'000	Company 2001 €'000	Company 2000 €'000
Trade debtors due within one year	**448,868**	298,212	**–**	–
Other debtors and prepayments	**61,652**	32,039	**–**	–
Trade debtors due after one year	**4,543**	1,784	**–**	–
Amounts due by Group companies	**–**	–	**224,797**	217,760
	515,063	332,035	**224,797**	217,760

15. Creditors: Amounts falling due within one year

	Notes	Group 2001 €'000	Group 2000 €'000	Company 2001 €'000	Company 2000 €'000
Bank loans and overdrafts	28	**80,903**	44,635	**10,247**	5,527
Trade creditors		**526,477**	408,213	**–**	–
Other creditors and accruals		**105,494**	80,176	**166**	116
Taxation and social welfare		**47,755**	35,324	**590**	631
Proposed dividends		**12,487**	10,570	**12,487**	10,570
Deferred payments on acquisition of subsidiaries		**2,463**	530	**–**	–
		775,579	579,448	**23,490**	16,844

Taxation and social welfare comprises:				
Corporation tax	**36,504**	26,268	**590**	631
PAYE	**6,669**	5,662	**–**	–
PRSI	**4,582**	3,394	**–**	–
	47,755	35,324	**590**	631

16. Creditors: Amounts falling due after one year

	Notes	Group 2001 €'000	Group 2000 €'000	Company 2001 €'000	Company 2000 €'000
Long term debt	28	**757,815**	461,707	**69,700**	–
Other creditors and accruals		**80,029**	30,115	**–**	–
Deferred payments on acquisition of subsidiaries		**19,830**	3,985	**11,616**	–
		857,674	495,807	**81,316**	–

All Group borrowings are secured by guarantees from Kerry Group plc and cross guarantees from various companies within the Group.

17. Provisions for liabilities and charges

Deferred taxation:

	2001 **€'000**	2000 €'000
Group:		
At beginning of year	3,001	13,179
Utilised during the year	**(938)**	(10,462)
Arising on acquisitions	**2,989**	267
Exchange translation adjustment	**28**	17
At end of year	**5,080**	3,001

The potential liability for deferred taxation not provided for in these financial statements, which relates primarily to accelerated capital allowances, amounts to **€43,002,000** (2000: €29,893,000).

18. Share capital

	2001 **€'000**	2000 €'000
Group and Company:		
Authorised:		
At beginning of year (A ordinary shares of 12.5 cent each (2000: 10 pence each))	25,000	25,395
Redenomination and renominalisation of share capital	**–**	(395)
At end of year (A ordinary shares of 12.5 cent each)	**25,000**	25,000
Allotted, called-up and fully paid:		
At beginning of year (A ordinary shares of 12.5 cent each (2000: 10 pence each))	21,553	21,846
Transfer to capital conversion reserve fund	**–**	(340)
Shares issued during year	**1,572**	47
At end of year (A ordinary shares of 12.5 cent each)	**23,125**	21,553

Shares issued during year

As part consideration for the acquisition of Golden Vale plc during the year, 11,957,632 A ordinary shares, each with a nominal value of 12.5 cent, were issued to shareholders of Golden Vale plc at a price of €13.60 each (note 25). Also during 2001, 616,000 A ordinary shares, each with a nominal value of 12.5 cent, were issued at €8.00 per share to executives in the Group under share option schemes. The total number of shares in issue at 31 December 2001 was **184,998,845** (2000: 172,425,213).

19. Share premium

	Notes	**2001** **€'000**	2000 €'000
Group and Company:			
At beginning of year		193,651	190,694
Shares issued during year	18	**165,980**	2,977
Share issue costs		**(1,758)**	(20)
At end of year		**357,873**	193,651

20. Reconciliation of movements in share capital and reserves

	Share Capital and Premium €'000	Capital Conversion Reserve Fund €'000	Profit & Loss Account €'000	Total €'000
At beginning of year	215,204	340	289,470	505,014
Retained profit	–	–	**124,972**	**124,972**
Shares issued during year	**167,552**	–	–	**167,552**
Share issue costs	**(1,758)**	–	–	**(1,758)**
Exchange translation adjustment	–	–	**(2,171)**	**(2,171)**
At end of year	**380,998**	**340**	**412,271**	**793,609**

The Profit & Loss Account figures comprise the following:

	Intangible Assets Written Off €'000	Retained Profits €'000	Profit & Loss Account €'000
At beginning of year	(414,931)	704,401	289,470
Retained profit	**(23,367)**	**148,339**	**124,972**
Exchange translation adjustment	–	**(2,171)**	**(2,171)**
At end of year	**(438,298)**	**850,569**	**412,271**

The exchange translation adjustment arises on the retranslation of the Group's opening net investment in its overseas subsidiaries (note 24).

21. Deferred income

	Notes	Group 2001 €'000	Group 2000 €'000	Company 2001 €'000	Company 2000 €'000
Development grants:					
At beginning of year		24,071	24,873	395	412
Businesses acquired		**14,650**	–	–	–
Grants received / receivable		**993**	1,733	–	–
Amortised during year		**(3,210)**	(2,524)	**(10)**	(17)
Exchange translation adjustment	24	**298**	(11)	–	–
At end of year		**36,802**	24,071	**385**	395

22. Analysis of cash flow components

	2001 €'000	2000 €'000
Group:		
The components of the net cash flow from operating activities can be analysed as follows:		
Depreciation (net):		
Depreciation	**73,648**	64,946
Development grants amortised	**(3,210)**	(2,524)
	70,438	62,422
Change in working capital:		
Decrease / (increase) in stocks	**9,772**	(4,472)
(Increase) / decrease in debtors	**(4,619)**	5,752
(Decrease) / increase in creditors	**(39,626)**	13,470
	(34,473)	14,750

23. Analysis of net debt

	At Beginning of Year €'000	Cash Flow €'000	Exchange Movement €'000	At End of Year €'000
Group:				
Cash in hand and at bank	27,995	**(8,201)**	**–**	**19,794**
Overdrafts	(2,748)	**850**	**1,011**	**(887)**
Debt due within one year	(41,887)	**(37,440)**	**(689)**	**(80,016)**
Debt due after one year	(461,707)	**(273,194)**	**(22,914)**	**(757,815)**
	(478,347)	**(317,985)**	**(22,592)**	**(818,924)**

24. Effect of currency translation adjustments

	2001 €'000	2000 €'000
Group:		
Increase / (decrease) in assets:		
Tangible fixed assets	**13,128**	6,839
Goodwill and other intangible assets	**10,448**	(124)
Stocks	**7,161**	3,489
Debtors	**7,060**	1,335
(Increase) / decrease in liabilities:		
Creditors	**(17,401)**	(7,563)
Borrowings	**(22,592)**	(19,611)
Deferred creditors	**(130)**	295
Deferred income	**(298)**	11
Revenue reserves	**453**	(1,945)
	(2,171)	(17,274)

The above exchange translation adjustment arises on the retranslation of the Group's opening net investment in its overseas subsidiaries.

25. Businesses acquired

During 2001 the Group completed the substantial acquisition of Golden Vale plc as well as the acquisition of a number of smaller businesses. The total consideration paid for acquisitions amounted to **€617m**, analysed as follows:

	Book Values			Fair Value Adjustments			
	Golden Vale 2001 €'000	Other 2001 €'000	Total 2001 €'000	Revaluations 2001 €'000	Alignment of Accounting Policies 2001 €'000	2001 €'000	2000 €'000
Net assets acquired:							
Tangible fixed assets	163,574	39,846	203,420	(7,533)	(509)	195,378	34,677
Goodwill / other intangible assets	180,762	176,963	357,725	41,311	4,330	403,366	71,429
Other financial assets	6,151	–	6,151	(264)	–	5,887	–
Net current assets	81,195	12,241	93,436	(28,832)	(3,821)	60,783	14,554
Liabilities due after one year	(26,500)	(2,913)	(29,413)	(4,682)	–	(34,095)	(1,157)
Grants	(14,034)	(616)	(14,650)	–	–	(14,650)	–
	391,148	225,521	616,669	–	–	616,669	119,503
Discharged by:							
Cash	379,532	219,890	599,422	–	–	599,422	115,619
Deferred payments	11,616	5,631	17,247	–	–	17,247	3,884
	391,148	225,521	616,669	–	–	616,669	119,503

The cash discharged figure above includes €144m of net debt taken over at the date of acquisition.

On 27 September 2001, the entire share capital of Golden Vale plc was acquired by the Group. Golden Vale comprises operations in Ireland and the UK. The acquisition of Golden Vale plc was partly funded through the issue of 11,957,632 A ordinary shares at a price of €13.60 per share (note 18).

A number of other acquisitions were completed during the year including the Geneva Group, Alferi Laboratories, Creative Seasonings and Spices, Iowa Soy, SPI Foods and Hickory Specialities in the US; Nutrir and Siber in Brazil; Voyager Foods in the UK; Corol and the Aromont Group in France; Demicombe in Australia; San Giorgio Flavors in Italy; and Platters Foods in Ireland.

The acquisition method of accounting has been used to consolidate the businesses acquired in 2001 in the Group financial statements. The fair value adjustments detailed above are provisional.

Additional information re substantial acquisition (Golden Vale):

Selected profit and loss account items for the period 1 January 2001 to 27 September 2001

	€'000
Turnover	622,063
Operating profit	23,273
Exceptional items	7,931
Profit before taxation	10,687
Taxation charge	2,474
Profit after taxation	8,213

The exceptional items above relate primarily to expenses associated with the Kerry Group plc takeover.

The profit after taxation and minority interests for the year ended 31 December 2000 for Golden Vale plc was €25,343,000.

During 2000 the Group acquired a number of businesses. The SFI Group of speciality food ingredients businesses comprising operations in the US and the Netherlands was acquired in January 2000 for a total consideration of US$80m. The acquisition of York Dragee, located in the UK, was completed in July 2000. The acquisition of Armour Food Ingredients in October 2000 in the US further expanded the Group's presence in the speciality food ingredients business. The total consideration for Armour Food Ingredients was US$35m.

26. Contingent liabilities

	2001 €'000	2000 €'000
Company:		
(a) Guarantees in respect of borrowings of subsidiaries	**758,772**	500,815
(b) Guarantees to banks in respect of deferred payments on acquisition of subsidiaries	**528**	522
	759,300	501,337

(c) 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 32, 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 2001 or any amended financial period incorporating the said financial year. The company has given similar indemnities in relation to a subsidiary in the Netherlands, Kerry Ingredients B.V.

27. Other financial commitments

	2001 €'000	2000 €'000
Group:		
(a) Capital commitments at 31 December for which no provision has been made in these accounts are as follows:		
Capital commitments in respect of contracts placed	**4,779**	16,454
Capital expenditure authorised by the Directors but not yet contracted for at the year end	**19,610**	24,612
	24,389	41,066

(b) At the balance sheet date the Group had commitments, payable in 2002, under non-cancellable operating leases which expire as follows:

	Land and Buildings €'000	Other €'000	Total €'000
Within one year	1,356	3,250	4,606
Between two and five years	3,333	12,539	15,872
After five years	1,772	529	2,301
	6,461	**16,318**	**22,779**

The operating lease charges during 2001 amounted to **€23,887,000** (2000: €24,535,000).

28. Financial instruments

The Group's treasury policy and management of derivatives and other financial instruments, which form part of these financial statements, is set out in the Financial Review. Short term debtors and creditors have been excluded from the disclosures below other than the currency exposure analysis set out in section (d).

(a) Currency profile of net financial liabilities

The currency profile of net financial liabilities as at 31 December 2001 was as follows:

	2001	2000
	€'000	€'000
Euro	**188,622**	8,026
Sterling	**144,549**	122,398
US Dollar	**425,933**	308,663
Other	**59,820**	39,260
	818,924	478,347

The above analysis includes **€19.8m** cash balances as at 31 December 2001 which were predominantly US Dollar and Euro denominated (2000: €28.0m, predominantly US Dollar denominated).

(b) Interest rate profile of net financial liabilities

Financial liabilities

At the year end **€278.7m** (2000: €263.2m) of Group net debt was at fixed interest rates and was all denominated in US Dollars. All other debt was at floating interest rates. The weighted average interest rate for fixed borrowings was **8.4%** (2000: 8.3%) and the weighted average period for which the rate was fixed was **2.9 years** (2000: 3.9 years). The floating rate financial liabilities comprised bank borrowings bearing interest at rates fixed in advance for periods ranging from one month to twelve months by reference to LIBOR (in the case of Sterling borrowings), EURIBOR (in the case of Euro borrowings) and Prime Rate or LIBOR (in the case of US Dollar borrowings).

Financial assets

The Group had no material financial assets as at 31 December 2001 or at 31 December 2000 other than the cash balances disclosed above.

(c) Maturity of net financial liabilities

The maturity profile of the Group's net financial liabilities as at 31 December 2001 was as follows:

	2001	2000
	€'000	€'000
Within one year	**61,109**	16,640
Between 1 and 2 years	**153,925**	47,760
Between 2 and 5 years	**536,474**	350,266
After 5 years	**67,416**	63,681
	818,924	478,347

Borrowing facilities are monitored against forecast requirements and timely action is taken to put in place, renew or replace credit lines in accordance with anticipated needs. At 31 December 2001 the Group had a portfolio of undrawn committed bank facilities which amounted to **€120.7m** (2000: €21.2m) and a portfolio of undrawn standby facilities amounting to **€265.8m** (2000: €261.5m). The undrawn committed facility is a revolving credit facility which expires in September 2004.

28. Financial instruments (continued)

(d) Currency exposures

The table below shows the Group's currency exposures which consist of those transactional (or non-structural) exposures that give rise to the net currency gains and losses recognised in the Profit and Loss Account. Such exposures comprise the monetary assets and liabilities of the Group that are not denominated in the operating (or functional) currency of the operating unit involved, other than certain borrowings treated as hedges of net investments in overseas operations. At 31 December 2001 these exposures were as follows:

	Net Foreign Currency Monetary Assets / (Liabilities) in €'000							
	2001				2000			
Functional currency of Group operation	**Euro**	**Sterling**	**US Dollar**	**Other**	Euro	Sterling	US Dollar	Other
Euro	**–**	**(9,548)**	**(2,091)**	**164**	–	(3,741)	134	111
Sterling	**(2,111)**	**–**	**456**	**–**	(313)	–	–	(9)
US Dollar	**–**	**–**	**–**	**–**	–	–	–	–
Other	**489**	**(381)**	**4,814**	**(221)**	(104)	(812)	3,454	(192)
Total	**(1,622)**	**(9,929)**	**3,179**	**(57)**	(417)	(4,553)	3,588	(90)

The amounts shown above take into account the effect of forward contracts and other derivatives entered into to manage these currency exposures. At 31 December 2001 the Group also held open various foreign currency forward contracts that were taken out to hedge expected future sales and purchases.

(e) Fair values of financial assets and financial liabilities

Set out below is a comparison by category of book values and fair values of all the Group's financial assets and financial liabilities as at 31 December 2001 and 31 December 2000:

	31 December 2001		31 December 2000	
	Book Value €'000	**Fair Value €'000**	Book Value €'000	Fair Value €'000
Short-term financial liabilities and current portion of long-term borrowings	**(80,903)**	**(81,597)**	(44,635)	(44,635)
Long-term borrowings	**(757,815)**	**(782,245)**	(461,707)	(478,511)
Cash deposits	**19,794**	**19,794**	27,995	27,995
Forward foreign currency contracts	**–**	**(6,122)**	–	(1,027)

Market values have been used to determine the fair values of all financial liabilities.

(f) Hedges

The table below shows the extent of unrecognised gains and losses in respect of financial instruments used by the Group as hedges at the beginning and end of year:

	Total Net Losses €'000
Unrecognised losses on hedges at 1 January 2001	**1,027**
Losses arising in previous years that were recognised in 2001	**933**
	94
Losses arising in 2001 that were not recognised in 2001	**6,028**
Unrecognised losses on hedges at 31 December 2001	**6,122**
Of which:	
Losses expected to be recognised within one year	**4,246**
Losses expected to be recognised after one year	**1,876**

Unrecognised gains and losses on hedges at 31 December 2000 were immaterial.

29. Related party transactions

In the ordinary course of business as farmers, Directors have traded on standard commercial terms with the Group's Agribusiness Division. Aggregate purchases from, and sales to, these Directors amounted to **€1,290,000** (2000: €1,099,000) and **€393,000** (2000: €358,000) respectively. The trading balance outstanding to the Group at the year end was **€81,000** (2000: €65,000).

30. Pensions

(a) SSAP 24 Accounting for Pension Costs

The Group operates pension plans throughout the world and these plans are structured to accord with local conditions and practices in each relevant country and include both defined benefit and defined contribution plans. The assets of the schemes are held in separate trustee administered funds.

The total pension cost to the Group for the year was **€19.8m** (2000: €18.7m). The pension cost is in accordance with the advice of qualified actuaries, using the Projected Unit Credit method. Actuarial valuations have been completed for all Group plans within the past three years.

The assumptions which most significantly affect the incidence of pension costs are those relating to the rate of return on investments and the rate of increase in pensionable remuneration. The financial assumptions inherent in the actuarial basis underlying the schemes assume that the long term investment return would on average exceed the rate of increase in pensionable remuneration by 2% per annum.

At the dates of the most recent actuarial valuations, the market value of the schemes' assets amounted to **€432.3m** and the actuarial value of the schemes' assets was more than sufficient to cover 100% of the benefits that had accrued to the members of the combined schemes, after allowing for the expected future increase in pensionable remuneration and pensions in payment. Actuarial advice confirms that the current levels of contributions, together with existing assets, are adequate to secure members' benefits over the expected remaining service lives of the participating employees. The actuarial reports are not available for public inspection.

A provision of **€0.3m** (2000: €0.6m) is included in creditors in respect of contributions outstanding at the year end.

(b) FRS 17 Retirement Benefits

I) The Group operates a number of defined benefit pension schemes across the countries in which it operates, primarily in Ireland, the US and the UK. The values used in this disclosure note are based on the most recent actuarial valuations as identified above and have been updated by the individual schemes' independent and professionally qualified actuaries to incorporate the requirements of FRS 17 in order to assess the liabilities of the various schemes as at 31 December 2001 using the Projected Unit Credit method. All assets in the scheme have been measured at their fair value at the balance sheet date.

Financial assumptions

The principal financial assumptions used by the Group actuaries in order to calculate the pension scheme liabilities, which have been shown in range form to reflect the differing assumptions in each scheme, were as follows:

	2001 %
Inflation assumption	**2.50 – 3.00**
Rate of increase in salaries	**3.50 – 4.00**
Rate of increase for pensions in payment and deferred pensions	**0.00 – 2.50**
Rate used to discount scheme liabilities	**5.75 – 7.25**

Expected rates of return on scheme assets

The long term expected rates of return for each class of asset at 31 December 2001, shown as a range to reflect differing returns in each scheme, were as follows:

	2001 %
Equities	**7.00 – 8.50**
Bonds	**5.00 – 8.00**
Property	**6.00 – 7.50**
Cash	**3.30 – 5.00**

30. Pensions (continued)

(b) FRS 17 Retirement Benefits (continued)

The market value of the pension scheme assets at 31 December 2001 were as follows:

	2001 €'000
Equities	328,774
Bonds	80,838
Property	17,059
Cash	7,054
Total market value of pension schemes' assets	433,725
Present value of pension schemes' liabilities	(429,382)
Net surplus in pension schemes	4,343
Related deferred tax liability	(397)
Net pension asset	3,946

II) The Group also operates a post-retirement medical benefit scheme in respect of a number of its US employees. The discount rate used by the Group actuaries in calculating the liability at 31 December 2001 was 7.25%.

The actuarial liabilities of the post-retirement scheme at 31 December 2001 were:

	2001 €'000
Present value of post-retirement scheme liabilities	(4,196)
Related deferred tax asset	1,678
Net benefit liability	(2,518)

III) **The net assets of the Group at 31 December 2001 incorporating the net benefit asset are as follows:**

	2001 €'000
Net assets excluding net benefit asset	830,411
Net benefit asset	1,428
Net assets including net benefit asset	831,839

IV) **The profit and loss reserve at 31 December 2001 incorporating the net benefit asset is as follows:**

	2001 €'000
Profit and loss reserve excluding net benefit asset	412,271
Net benefit asset	1,428
Profit and loss reserve including net benefit asset	413,699

31. Post balance sheet events

In January 2002, the Group announced the proposed acquisition of Stearns & Lehman Inc., headquartered in Mansfield, Ohio, USA. The transaction is subject to Stearns & Lehman shareholder approval.

In February 2002, the Group agreed, subject to due diligence, to sell the Bailieboro milk processing business, comprising the former Bailieboro and Westmeath Co-operatives, to Lakeland Dairies. The Bailieboro business was acquired as part of the Group's acquisition of Golden Vale plc, which was concluded in September 2001.

32. Principal subsidiaries (all wholly owned except where indicated **)

Company Name	Nature of Business	Country	Registered Office
Castleisland Cattle Breeding Society Limited	Agribusiness	Ireland	1
Dawn Dairies Limited	Foods	Ireland	1
Duffy Meats Limited	Foods	Ireland	1
Glenealy Farms (Turkeys) Limited	Foods	Ireland	1
Grove Turkeys Limited	Foods	Ireland	1
Henry Denny & Sons (Ireland) Limited	Foods	Ireland	1
Irish Food Ingredients (Manufacturing) Limited	Ingredients	Ireland	1
Kerry Agribusiness Holdings Limited	Investment	Ireland	1
Kerry Agribusiness Trading Limited	Agribusiness	Ireland	1
Kerry Creameries Limited	Agribusiness	Ireland	1
Kerry Farm Supplies Limited	Agribusiness	Ireland	1
Kerry Group Services Limited	Services	Ireland	1
Kerry Group Services International Limited	Services	Ireland	1
Kerry Holdings (Ireland) Limited	Investment	Ireland	1
Kerry Ingredients (Dublin) Limited	Ingredients	Ireland	1
Kerry Ingredients (Ireland) Limited	Ingredients	Ireland	1
Kerry Ingredients Holdings (Ireland) Limited	Investment	Ireland	1
Kerry Ingredients Trading Limited	Ingredients	Ireland	1
Kerry Treasury Services Limited	Services	Ireland	1
Kerrykreem Limited	Ingredients	Ireland	1
Princemark Holdings Limited	Services	Ireland	1
Snowcream (Midlands) Limited	Foods	Ireland	1
Platters Food Company Limited	Foods	Ireland	1
A.E. Button & Sons Limited	Foods	UK	2
Kerry Foods Limited	Foods	UK	2
Kerry Holdings (UK) Limited	Investment	UK	2
Kerry Savoury Foods Limited	Foods	UK	2
Kerry Ingredients Holdings (UK) Limited	Investment	UK	3
Kerry Ingredients (UK) Limited	Ingredients	UK	3
York Dragee Company Limited	Ingredients	UK	3
AB Coatings Limited	Ingredients	UK	3
Henry Denny & Sons (NI) Limited	Foods	UK	4
Kerry Group B.V.	Investment	Netherlands	5
Kerry Ingredients B.V.	Ingredients	Netherlands	6
Kerry Polska Sp. z.o.o.	Ingredients	Poland	7
Kerry Ingredients France S.A.	Ingredients	France	8
Kerry Ingredients Holdings (France) S.A.	Investment	France	8
Jaeger Participations S.A.	Ingredients	France	9
France Ingredients S.A.	Ingredients	France	10
Kerry Gasparini S.r.l.	Ingredients	Italy	11
Kerry G.I.A.L. S.r.l.	Ingredients	Italy	12
Kerry Ingredients Holdings (Germany) GmbH	Investment	Germany	13
Kerry Ingredients GmbH	Ingredients	Germany	13
Kerry Tukania Proca GmbH	Ingredients	Germany	13
Kerry Hungaria KFT	Ingredients	Hungary	14
Kerry Hungary Limited	Services	Hungary	15
Kerry Ingredients Australia Pty. Limited	Ingredients	Australia	16
Demicombe Pty. Limited	Ingredients	Australia	16
Kerry Ingredients New Zealand Limited	Ingredients	New Zealand	17
Kerry Holdings Inc.	Investment	USA	18
Kerry Inc.	Ingredients	USA	18
Shade Foods Inc.	Ingredients	USA	18
Geneva Ingredients Group Inc.	Investment	USA	18

32. Principal subsidiaries (all wholly owned except where indicated **) (continued)

Company Name	Nature of Business	Country	Registered Office
Geneva Flavors Inc.	Ingredients	USA	18
Gilette Food Flavorings LLC	Ingredients	USA	18
Kerry (Canada) Inc.	Ingredients	Canada	19
Kerry Ingredients S.A. de C.V.	Ingredients	Mexico	20
Kerry Ingredients (de Mexico) S.A. de C.V.	Ingredients	Mexico	20
Kerry do Brasil Ltda.	Ingredients	Brazil	21
Kerry Ingredients (S) Pte Ltd.	Ingredients	Singapore	22
Kerry Ingredients (M) Sdn. Bhd.	Ingredients	Malaysia	23
Palmer Cereals Limited	Ingredients	UK	24
Voyager Foods (Holdings) Limited	Investment	UK	25
Voyager Foods Limited	Ingredients	UK	25
San Giorgio Flavors SpA	Ingredients	Italy	26
SPI Foods Inc.	Ingredients	USA	27
Hickory Specialties Inc.	Ingredients	USA	28
FlavTek Inc.	Ingredients	USA	29
Nutrir Productos Alimenticios SA	Ingredients	Brazil	30
Emilo Pieri Industria e Comercia Ltda	Ingredients	Brazil	31
Industria e Comercio de Palitos Estilo Ltda	Ingredients	Brazil	32
Aromont S.A.	Ingredients	France	33
Kerry Kabushiki Kaisha	Ingredients	Japan	34
Golden Vale Limited	Investment	Ireland	35
Golden Vale Clare Limited	Investment	Ireland	35
Golden Vale Food Products Limited**	Milk Processing	Ireland	35
Golden Vale Foods Limited	Foods	Ireland	35
Golden Vale Sales Limited	Services	Ireland	35
Golden Vale Investments Limited	Investment	Ireland	35
Bailieboro Foods Limited	Milk Processing	Ireland	35
Bailie Foods (Ireland) Limited	Milk Processing	Ireland	35
Bailie Foods Limited	Milk Processing	Ireland	35
Golden Vale Co-op Society (North Midlands) Limited	Agribusiness	Ireland	35
Rye Valley Foods Limited	Foods	Ireland	35
Golden Vale Marketing Limited	Agribusiness	Ireland	35
Clonwell Sales Limited	Foods	Ireland	35
Golden Vale Food Product (Sales) Limited	Agribusiness	Ireland	35
Golden Vale Farms Limited**	Agribusiness	Ireland	35
Golden Vale Finance	Services	Ireland	35
Golden Vale (NI) Limited	Investment	UK	36
Golden Cow Dairies Limited	Foods	UK	36
Dairy Produce Packers Limited	Foods	UK	36
Acrostic Investments Limited	Investment	UK	36
Leckpatrick Dairies Limited	Powder, Fluid Milk, UHT	UK	36
St. Brendan's Irish Cream Liqueur Company Limited	Sale & Distribution of Cream Liqueurs	UK	36
Golden Vale Financial Services	Services	Ireland	37
Gova Finance BV	Investment	Netherlands	38
Golden Vale Dairies Limited	Fluid Milk	UK	39
Golden Vale (D.P.P.) Limited	Distribution of Dairy Products	UK	40
Leckpatrick Holdings Limited	Investment	UK	41
Gova Holdings BV	Investment	Netherlands	42
Golden Vale (Holland) BV	Sale & Distribution of Cheese	Netherlands	42
Dairyborn Foods Limited	Manufacture of Cheese Products	UK	43

32. Principal subsidiaries (all wholly owned except where indicated **) (continued)

Note 1: Country represents country of incorporation and operation. Ireland refers to the Republic of Ireland.

Note 2: 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.

** Shareholdings in Golden Vale Food Products Limited and Golden Vale Farms Limited are 99.8% and 99.2% respectively.

Registered Office

1 Prince's Street, Tralee, Co. Kerry, Ireland.
2 Thorpe Lea Manor, Thorpe Lea Road, Egham, Surrey TW20 8HY, England.
3 Equinox South, Great Park Road, Bradley Stoke, Bristol BS32 4QL, England.
4 6 Corcrain Road, Portadown, Craigavon, Co. Armagh, Northern Ireland.
5 TMF Management B.V., West Blaak, 89, 3012 Rotterdam, The Netherlands.
6 Ettensebaan 10, 4814 NN Breda, The Netherlands.
7 25-558 Kielce, Ul. Zagnanska 97a, Poland.
8 Quartier Salignan, 84400 Apt en Provence, France.
9 6-8 Rue Robert Moinon, ZI95190, Goussainville, France.
10 26 Rue Jacques Prevert, 59650 Villenueve d'Ascq, France.
11 Contrada Valleverde 10, Atripalda (AV) 83042, Italy.
12 Borgo S. Michele (Latina), Via Migliara 43, Italy.
13 Hauptstrasse 22-26, D-63924 Kleinheubach, Germany.
14 Foldavary u.4, H-1097 Budapest, Hungary.
15 H-1077 Budapest, Wesselenyi u.16, Hungary.
16 No 8 Holker Street, Newington, NSW 2127, Australia.
17 13th Floor, Tower Two, Shortland Centre, Shortland Street, Auckland, New Zealand.
18 1013 Centre Road, Wilmington, Delaware, USA.
19 55 King Street West, T - D Tower, T - D Centre, Suite 3600, Toronto, Ontario, Canada M5K 1N6.
20 Carr. Panamericana, Salamanca Km 11.2, 36660 Irapuato, Guamajua, Mexico.
21 Rua Luiz Lazaretti, No. 70, Parte B. Bairro Vale Verde, Valinhos, Sao Paulo, Brazil.
22 95 South Bridge Road, #10-10 Pidemco Centre, Singapore 058717.
23 No. 19 Jalan Tun Abdul Razak Susur 1/1, 80000 Johor Bahru, Malaysia.
24 Hornal Road, Bothwell Park Industrial Estate, Uddington, Glasgow G71 1BN, Scotland.
25 Unit B, Sunrise Enterprise Park, Ferryboat Lane, Castletown, Sunderland SR5 3RX, England.
26 Via della Fossata, 114 Torino, Italy.
27 1209 Orange Street, Wilmington, New Castle County, Delaware, USA.
28 Suite 300, 783 Old Hickory Boulevard, Brentwood, Williamson County, Tennessee 37027, USA.
29 1960 Hawkins Cr., Los Angeles, California 90001-2255, USA.
30 Rua Cristiano Alves da Silva, 15 Parque Jussara, 37410-000 Tres Coracoes, MG, Brazil.
31 Avenida Mercedes Benz 460, 13012-100 Distrito Industrial, Campinas, SP, Brazil.
32 Rodovia Brazil 277 KM349, 85100-970 Trevo, Guarapuava, PR, Brazil.
33 Route de Reims, B.P. No. 2, 02340 Montcornet, France.
34 Diamond Plaza Bldg., 4Fl, 25 Ichibancho, Chiyoda-ku, Tokyo, Japan.
35 Charleville, Co. Cork, Ireland.
36 10, Rossdowney Road, Derry BT47 1NS, Northern Ireland.
37 West Block, IFSC, Dublin 1, Ireland.
38 Roermond, The Netherlands.
39 Bridgend Creamery, Bridgend Industrial Estate, Bridgend CF31 3RL, Wales.
40 Parkway Hse., Palatine Road, Northenden, Manchester M22 4DB, England.
41 47 Berryhill Road, Strabane, Co. Tyrone BT82 OHN, Northern Ireland.
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