INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF KERRY GROUP PLC

Report on the audit of the financial statements

Opinion

In our opinion, Kerry Group plc's consolidated financial statements and Company financial statements (the 'financial statements'):

- give a true and fair view of the Group's and the Company's assets, liabilities and financial position as at 31 December 2019 and of the Group's profit and the Group's and the Company's cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union and, as regards the Company's financial statements, as applied in accordance with the provisions of the Companies Act 2014; and
- have been properly prepared in accordance with the requirements of the Companies Act 2014 and, as regards the consolidated financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements, included within the Annual Report, which comprise:

- the Consolidated and Company balance sheets as at 31 December 2019;
- the Consolidated income statement and Consolidated statement of comprehensive income for the year then ended;
- the Consolidated and Company statements of cash flow for the year then ended;
- the Consolidated and Company statements of changes in equity for the year then ended; and
- the notes to the financial statements, which include a description of the significant accounting policies.

Certain required disclosures have been presented elsewhere in the Annual Report, rather than in the notes to the financial statements and are described as being an integral part of the financial statements as set out in the basis of preparation on page 154. These are cross-referenced from the financial statements and are identified as audited.

Our opinion is consistent with our reporting to the Audit Committee.

Separate opinion in relation to IFRSs as issued by the IASB

As explained in note 1 to the financial statements, the Group, in addition to applying IFRSs as adopted by the European Union, has also applied IFRSs as issued by the International Accounting Standards Board (IASB).

In our opinion, the consolidated financial statements comply with IFRSs as issued by the IASB.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (Ireland) ('ISAs (Ireland)') and applicable law. Our responsibilities under ISAs (Ireland) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

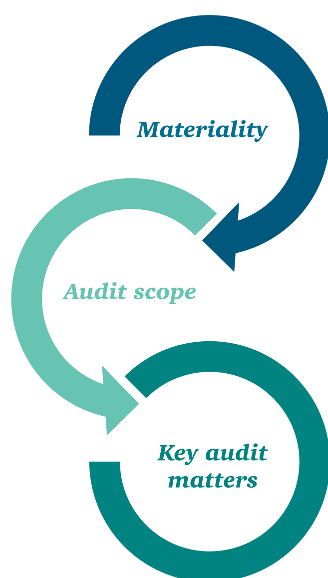
We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in Ireland, which includes IAASA's Ethical Standard as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by IAASA's Ethical Standard were not provided to the Group or the Company.

Other than those disclosed in note 3 to the financial statements, we have provided no non-audit services to the Group or the Company in the period from 1 January 2019 to 31 December 2019.

Our Audit Approach

Overview



Materiality
- €38 million (2018: €33.5 million) - Consolidated financial statements.
- Based on approximately 5% of profit before taxation and non-trading items.
- €8 million (2018: €7.3 million) - Company financial statements.
- Based on approximately 1% of net assets of the Company.

Audit scope
- We conducted audit work in 40 reporting components. We paid particular attention to these components due to their size or characteristics and to ensure appropriate audit coverage. An audit on the full financial information of 36 components was performed and specified procedures on selected account balances of a further 4 components were performed. We also performed audit work at each of the principal shared service centres.
- Taken together, the reporting components where an audit on the full financial information was performed accounted for in excess of 90% of Group revenues and Group profit before taxation and non-trading items.

Key audit matters
- Goodwill and indefinite life intangible assets impairment assessment.
- Business combinations.
- Income taxes.

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key audit matter
Goodwill and indefinite life intangible assets impairment assessment Refer to note 1 'Statement of accounting policies' and note 12 'Intangible assets'. The Group has goodwill and indefinite life intangible assets of €3,911 million at 31 December 2019 representing approximately 41% of the Group's total assets at year end. Goodwill and indefinite life intangible assets are subject to impairment testing on an annual basis or more frequently if there are indicators of impairment. We focused on this area given the scale of the assets and because the determination of whether an impairment charge for goodwill or indefinite life intangible assets was necessary involves significant judgement in estimating the future results of the business and determining the appropriate discount rate to use.	Our audit team assisted by our in-house valuation experts interrogated the Group's impairment models and evaluated the methodology followed and key assumptions used. We assessed management's future cash flow forecasts, and the process by which they were drawn up, and concluded they were consistent with the latest management approved five year forecast. In evaluating these forecasts we considered the Group's historic performance and its past record of achieving strategic objectives. We also tested the mathematical accuracy of the cash flow model. We satisfied ourselves as to the appropriateness of the Group's forecast growth rate assumptions used to calculate terminal values at year five, by comparing them to independent sources (for example, OECD statistics) of projected growth rates for each region. We challenged management's calculation of the discount rates used by recalculating an acceptable range of discount rates (adjusted to reflect risks associated with each Group of CGUs) using observable inputs from independent external sources and concluded the discount rates used by management fell within that range. We performed our own sensitivity analysis on the impact of changes in key assumptions on the impairment assessment, for example the cash flows, discount rates and the rates of growth assumed by management. We assessed the appropriateness of the related disclosures within the financial statements.

Key audit matter	How our audit addressed the key audit matter
Business combinations Refer to note 1 'Statement of accounting policies' and note 30 'Business combinations'. The Group completed 11 acquisitions during 2019, the most significant of which were Southeastern Mills and Ariake U.S.A., Inc. which are both in the Americas region of the Taste and Nutrition segment. The Group was required to determine the fair values of all acquired assets and liabilities including the identification and valuation of intangible assets. The most significant acquired asset in all cases was brand related intangibles. In accordance with IFRS3, 'Business Combinations', with the exception of the Southeastern Mills acquisition which has been finalised, the valuations referred to above have been prepared on a provisional basis. The Group will finalise its valuations within the 12-month measurement period. We focused on this area as significant judgement is exercised in selecting an appropriate valuation model. Judgement is also exercised in determining assumptions such as revenue growth rates and the excess earnings rate which underlie the cash flows in the models. Other important estimates include the discount rate and contributory asset charge.	We obtained and evaluated the reports prepared by management's valuation specialists to value brand related intangibles. We were assisted by our in-house valuation experts in assessing the reasonableness of the valuation methodologies and assumptions used by the Group. We considered the assumptions used to derive the cash flows underlying the valuation model, (including the growth rate and the excess earnings rate) by agreeing them to the board approved business case and external data where available. We also considered the discount rate and contributory asset charge in light of the acquiree's industry and geography. We were satisfied that the methodology and assumptions used were reasonable.
Income taxes Refer to note 1 'Statement of accounting policies', note 7 'Income taxes' and note 17 'Deferred tax assets and liabilities'. The global nature of the Group means that it operates across a large number of jurisdictions and is subject to periodic challenges by local tax authorities on a range of tax matters during the normal course of business. Tax legislation is open to different interpretations and the tax treatments of many items is uncertain. Tax audits can require several years to conclude, and transfer pricing judgements may impact the Group's tax liabilities. Management judgement and estimation is required in the measurement of uncertain tax positions in the context of the recognition of current and deferred tax assets/liabilities. This area required our focus due to its inherent complexity and the estimation and judgement involved in the measurement of uncertain tax positions in the context of the recognition of current and deferred tax assets/liabilities.	We obtained an understanding of the Group tax strategy through discussions with management and the Group's in-house tax specialists. The team, assisted by PwC International and Irish taxation specialists, challenged judgements used and estimates made by management to measure uncertain tax positions in the context of the recognition of current and deferred tax assets/ liabilities. This included obtaining explanations regarding the tax treatment applied to material transactions and evidence to corroborate management's explanations. Such evidence included management's communications with local tax authorities and copies of the tax advice obtained by management from its external tax advisors. Based on the evidence obtained, while noting the inherent uncertainty with such tax matters, we determined the measurement of uncertain tax positions in the context of the recognition of current and deferred tax assets/liabilities as at 31 December 2019 to be within an acceptable range of reasonable estimates.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed sufficient work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, including those performed at the Group's shared service centres and the industry in which the Group operates.

The Group is structured along two operating segments: Taste & Nutrition and Consumer Foods across 32 countries. The majority of the Group's components are supported by one of five principal shared service centres in Ireland, Malaysia, the United Kingdom and the United States.

We determined that an audit of the full financial information should be performed at 36 components due to their size or risk characteristics and to ensure appropriate coverage. These 36 components span 13 countries and included components that control central Group functions such as Treasury and Employee Benefits. Taken collectively these components represent the principal business of the Group and account for in excess of 90% of Group revenue and Group profit before taxation and non-trading items. Specific audit procedures on certain balances and transactions were performed at 4 of the remaining reporting components primarily to ensure appropriate audit coverage.

The Group team performed the audit of the central function components and component auditors within PwC ROI and from other PwC network firms, operating under our instruction, performed the audit on all other components and the required supporting audit work at each of the five principal shared service centres.

The Group team were responsible for the scope and direction of the audit. Where the work was performed by component auditors, we determined the level of involvement the Group team needed to have to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the consolidated financial statements as a whole.

In the current year, senior representatives from the Group team continued a programme of planned site visits that is designed so that senior team members will visit the full scope audit locations regularly on a rotational basis. During 2019, the Group team visited component locations in Ireland, the USA and Asia Pacific.

These visits involved meeting with our component teams to confirm their audit approach. The visits also involved discussing and understanding the significant audit risk areas, holding meetings with local management, and obtaining updates on local laws and regulations and other relevant matters. In addition to the visits noted above, the Group team interacted regularly with the component teams during all stages of the audit. Post audit conference calls were held with all in scope audit teams to discuss their final key audit findings which were reviewed in detail by members of the Group team. In addition to this, the Group engagement team reviewed certain audit working papers of significant components.

This, together with audit procedures performed by the Group team over IT systems, treasury, post-retirement benefits, the consolidation process and key audit matters including uncertain tax positions, impairment testing of goodwill and indefinite lived intangible assets, and business combinations, gave us the evidence we needed for our opinion on the consolidated financial statements as a whole.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Consolidated financial statements	Company financial statements
Overall materiality	€38 million (2018: €33.5 million).	€8 million (2018: €7.3 million).
How we determined it	Approximately 5% of profit before taxation and non-trading items.	Approximately 1% of net assets of the Company.
Rationale for benchmark applied	We applied this benchmark because in our view this is a metric against which the recurring performance of the Group is commonly measured by its stakeholders and it results in using a materiality level that excludes the impact of volatility in earnings.	The entity is a holding Company whose main activity is the management of investments in subsidiaries.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above €1.8 million (Group audit) (2018: €1.7 million) and €400,000 (Company audit) (2018: €360,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Going concern

In accordance with ISAs (Ireland) we report as follows:

Reporting obligation	Outcome
We are required to report if we have anything material to add or draw attention to in respect of the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the directors' identification of any material uncertainties to the Group's or the Company's ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements.	We have nothing material to add or to draw attention to. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's or the Company's ability to continue as a going concern.
We are required to report if the directors' statement relating to going concern in accordance with Rule 6.1.82 (3) (a) of the Listing Rules for Euronext Dublin is materially inconsistent with our knowledge obtained in the audit.	We have nothing to report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Directors' Report, we also considered whether the disclosures required by the Companies Act 2014 (excluding the information included in the 'Non Financial Statement' as defined by that Act on which we are not required to report) have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (Ireland), the Companies Act 2014 (CA14) and the Listing Rules applicable to the Company (Listing Rules) require us to also report certain opinions and matters as described below (required by ISAs (Ireland) unless otherwise stated).

Directors' Report

- In our opinion, based on the work undertaken in the course of the audit, the information given in the Directors' Report (excluding the information included in the 'Non Financial Statement' on which we are not required to report) for the year ended 31 December 2019 is consistent with the financial statements and has been prepared in accordance with the applicable legal requirements. (CA14)
- Based on our knowledge and understanding of the Group and Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Directors' Report (excluding the information included in the 'Non Financial Statement' on which we are not required to report). (CA14)

Corporate governance statement

- In our opinion, based on the work undertaken in the course of the audit of the financial statements,
  - the description of the main features of the internal control and risk management systems in relation to the financial reporting process included in the Corporate Governance Report; and
  - the information required by Section 1373(2)(d) of the Companies Act 2014 included in the Report of the Directors;

is consistent with the financial statements and has been prepared in accordance with section 1373(2) of the Companies Act 2014. (CA14)

- Based on our knowledge and understanding of the Company and its environment obtained in the course of the audit of the financial statements, we have not identified material misstatements in the description of the main features of the internal control and risk management systems in relation to the financial reporting process and the information required by section 1373(2)(d) of the Companies Act 2014 included in the Corporate Governance Report and the Report of the Directors. (CA14)
- In our opinion, based on the work undertaken during the course of the audit of the financial statements, the information required by section 1373(2)(a),(b),(e) and (f) of the Companies Act 2014 and regulation 6 of the European Union (Disclosure of Non-Financial and Diversity Information by certain large undertakings and Groups) Regulations 2017 is contained in the Directors' Report. (CA14)

The directors' assessment of the prospects of the Group and of the principal risks that would threaten the solvency or liquidity of the Group

We have nothing material to add or to draw attention to regarding:

- The directors' confirmation on page 106 of the Annual Report that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity.
- The disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.
- The directors' explanation on page 88 of the Annual Report as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We have nothing to report having performed a review of the directors' statement that they have carried out a robust assessment of the principal risks facing the Group and the directors' statement in relation to the longer-term viability of the Group. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the UK Corporate Governance Code (the 'Code'); and considering whether the statements are consistent with the knowledge and understanding of the Group and the Company and their environment obtained in the course of the audit. (Listing Rules)

Other Code provisions

We have nothing to report in respect of our responsibility to report when:

- The statement given by the directors on page 95 that they consider the Annual Report taken as a whole to be fair, balanced and understandable and provides the information necessary for the members to assess the Group's and Company's position and performance, business model and strategy is materially inconsistent with our knowledge of the Group and Company obtained in the course of performing our audit.
- The section of the Annual Report on page 109 describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.
- The directors' statement relating to the Company's compliance with the Code and the Irish Corporate Governance Annex does not properly disclose a departure from a relevant provision of the Code or the Annex specified, under the Listing Rules, for review by the auditors.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Directors' Responsibility Statement set out on page 95, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view.

The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (Ireland) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the IAASA website at: https://www.iaasa.ie/getmedia/b2389013-1cf6-458b-9b8f-a98202dc9c3a/Description_of_auditors_responsibilities_for_audit.pdf

This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with section 391 of the Companies Act 2014 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2014 opinions on other matters

- We have obtained all the information and explanations which we consider necessary for the purposes of our audit.
- In our opinion the accounting records of the Company were sufficient to permit the Company financial statements to be readily and properly audited.
- The Company balance sheet is in agreement with the accounting records.

Other exception reporting

Directors' remuneration and transactions

Under the Companies Act 2014 we are required to report to you if, in our opinion, the disclosures of directors' remuneration and transactions specified by sections 305 to 312 of that Act have not been made. We have no exceptions to report arising from this responsibility.

We are required by the Listing Rules to review the six specified elements of disclosures in the report to shareholders by the Board on directors' remuneration. We have no exceptions to report arising from this responsibility.

Prior financial year Non Financial Statement

We are required to report if the Company has not provided the information required by Regulation 5(2) to 5(7) of the European Union (Disclosure of Non-Financial and Diversity Information by certain large undertakings and Groups) Regulations 2017 in respect of the prior financial year. We have nothing to report arising from this responsibility.

Appointment

We were appointed by the members on 28 April 2016 to audit the financial statements for the year ended 31 December 2016 and subsequent financial periods. The period of total uninterrupted engagement is 4 years, covering the years ended 31 December 2016 to 31 December 2019.

John McDonnell
for and on behalf of PricewaterhouseCoopers
Chartered Accountants and Statutory Audit Firm
Dublin

17 February 2020

CONSOLIDATED INCOME STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Notes	**Before Non-Trading Items 2019 €'m**	**Non-Trading Items 2019 €'m**	**Total 2019 €'m**	Before Non-Trading Items 2018 €'m	Non-Trading Items 2018 €'m	Total 2018 €'m
Continuing operations							
Revenue	2	**7,241.3**	**-**	**7,241.3**	6,607.6	-	6,607.6
Trading profit	2/3	**902.7**	**-**	**902.7**	805.6	-	805.6
Intangible asset amortisation	12	**(64.3)**	**-**	**(64.3)**	(53.8)	-	(53.8)
Non-trading items	5	**-**	**(110.9)**	**(110.9)**	-	(66.9)	(66.9)
Operating profit	3	**838.4**	**(110.9)**	**727.5**	751.8	(66.9)	684.9
Finance income	6	**0.3**	**-**	**0.3**	0.5	-	0.5
Finance costs	6	**(81.9)**	**-**	**(81.9)**	(67.5)	-	(67.5)
Profit before taxation		**756.8**	**(110.9)**	**645.9**	684.8	(66.9)	617.9
Income taxes	7	**(98.6)**	**19.2**	**(79.4)**	(89.2)	11.8	(77.4)
Profit after taxation attributable to owners of the parent		**658.2**	**(91.7)**	**566.5**	595.6	(55.1)	540.5
Earnings per A ordinary share				**Cent**			Cent
- basic	9			**320.4**			305.9
- diluted	9			**319.9**			305.7

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Notes	**2019 €'m**	2018 €'m
Profit after taxation attributable to owners of the parent		**566.5**	540.5
Other comprehensive income:			
Items that are or may be reclassified subsequently to profit or loss:			
Fair value movements on cash flow hedges		**7.2**	2.2
Cash flow hedges - reclassified to profit or loss from equity	24	**0.1**	(2.5)
Net change in cost of hedging	24	**0.6**	(2.0)
Deferred tax effect of fair value movements on cash flow hedges	17	**(1.4)**	(0.2)
Exchange difference on translation of foreign operations		**67.0**	(0.9)
Fair value movement on revaluation of financial assets held at fair value through other comprehensive income	13	**(1.0)**	(1.9)
Items that will not be reclassified subsequently to profit or loss:			
Re-measurement on retirement benefits obligation	26	**14.0**	34.5
Deferred tax effect of re-measurement on retirement benefits obligation	17	**(2.0)**	(6.3)
Net income recognised directly in total other comprehensive income		**84.5**	22.9
Total comprehensive income		**651.0**	563.4

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2019

	Notes	**31 December 2019 €'m**	31 December 2018 €'m
Non-current assets			
Property, plant and equipment	11	**2,062.9**	1,767.0
Intangible assets	12	**4,589.7**	4,095.6
Financial asset investments	13	**41.7**	35.3
Investment in associates and joint ventures	14	**16.2**	15.6
Other non-current financial instruments	23	**82.7**	101.7
Deferred tax assets	17	**38.9**	37.1
		6,832.1	6,052.3
Current assets			
Inventories	16	**993.3**	877.8
Trade and other receivables	19	**1,066.3**	967.8
Cash at bank and in hand	23	**554.9**	413.8
Other current financial instruments	23	**57.7**	10.0
Assets classified as held for sale	18	**-**	2.0
		2,672.2	2,271.4
Total assets		**9,504.3**	8,323.7
Current liabilities			
Trade and other payables	20	**1,643.0**	1,482.1
Borrowings and overdrafts	23	**190.8**	13.8
Other current financial instruments	23	**12.1**	11.0
Tax liabilities		**140.7**	122.4
Provisions	25	**25.2**	20.3
Deferred income	21	**2.2**	1.2
		2,014.0	1,650.8
Non-current liabilities			
Borrowings	23	**2,355.3**	2,119.7
Other non-current financial instruments	23	**-**	5.6
Retirement benefits obligation	26	**11.9**	53.2
Other non-current liabilities	22	**167.9**	82.6
Deferred tax liabilities	17	**338.9**	324.1
Provisions	25	**33.2**	32.1
Deferred income	21	**20.9**	21.2
		2,928.1	2,638.5
Total liabilities		**4,942.1**	4,289.3
Net assets		**4,562.2**	4,034.4
Issued capital and reserves attributable to owners of the parent			
Share capital	27	**22.1**	22.0
Share premium		**398.7**	398.7
Other reserves		**(119.0)**	(207.3)
Retained earnings		**4,260.4**	3,821.0
Shareholders' equity		**4,562.2**	4,034.4

The financial statements were approved by the Board of Directors on 17 February 2020 and signed on its behalf by:

Philip Toomey, Chairman Edmond Scanlon, Chief Executive Officer

COMPANY BALANCE SHEET
AS AT 31 DECEMBER 2019

	Notes	**31 December 2019 €'m**	31 December 2018 €'m
Non-current assets			
Property, plant and equipment	11	**0.3**	0.3
Investments in subsidiaries	15	**714.4**	714.4
		714.7	714.7
Current assets			
Trade and other receivables	19	**135.8**	94.1
		135.8	94.1
Total assets		**850.5**	808.8
Current liabilities			
Trade and other payables	20	**21.5**	6.3
		21.5	6.3
Non-current liabilities			
Deferred income	21	**0.1**	0.1
		0.1	0.1
Total liabilities		**21.6**	6.4
Net assets		**828.9**	802.4
Issued capital and reserves			
Share capital	27	**22.1**	22.0
Share premium		**398.7**	398.7
Other reserves		**79.7**	65.3
Retained earnings		**328.4**	316.4
Shareholders' equity		**828.9**	802.4

The Company earned a profit after taxation of **€140.3m** for the financial year ended 31 December 2019 (2018: €158.9m).

The financial statements were approved by the Board of Directors on 17 February 2020 and signed on its behalf by:

Philip Toomey, Chairman Edmond Scanlon, Chief Executive Officer

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Notes	Share Capital €'m	Share Premium €'m	Other Reserves €'m	Retained Earnings €'m	Total €'m
Group:						
At 1 January 2018		22.0	398.7	(214.4)	3,366.9	3,573.2
Profit after tax attributable to owners of the parent		-	-	-	540.5	540.5
Other comprehensive (expense)/income		-	-	(5.1)	28.0	22.9
Total comprehensive (expense)/income		-	-	(5.1)	568.5	563.4
Dividends paid	10	-	-	-	(114.4)	(114.4)
Share-based payment expense	28	-	-	12.2	-	12.2
At 31 December 2018		22.0	398.7	(207.3)	3,821.0	4,034.4
Adjustment on initial application of IFRS 16 'Leases'	11	**-**	**-**	**-**	**(9.4)**	**(9.4)**
Adjusted balances at 1 January 2019		**22.0**	**398.7**	**(207.3)**	**3,811.6**	**4,025.0**
Profit after tax attributable to owners of the parent		**-**	**-**	**-**	**566.5**	**566.5**
Other comprehensive income		**-**	**-**	**73.9**	**10.6**	**84.5**
Total comprehensive income		**-**	**-**	**73.9**	**577.1**	**651.0**
Shares issued during the financial year	27	**0.1**	**-**	**-**	**-**	**0.1**
Dividends paid	10	**-**	**-**	**-**	**(128.3)**	**(128.3)**
Share-based payment expense	28	**-**	**-**	**14.4**	**-**	**14.4**
At 31 December 2019		**22.1**	**398.7**	**(119.0)**	**4,260.4**	**4,562.2**

Other Reserves comprise the following:

	Note	FVOCI Reserve €'m	Capital Redemption Reserve €'m	Other Undenominated Capital €'m	Share-Based Payment Reserve €'m	Translation Reserve €'m	Hedging Reserve €'m	Cost of Hedging Reserve €'m	Total €'m
At 1 January 2018		3.5	1.7	0.3	51.1	(255.8)	(15.2)	-	(214.4)
Other comprehensive expense		(1.9)	-	-	-	(0.9)	(0.3)	(2.0)	(5.1)
Share-based payment expense	28	-	-	-	12.2	-	-	-	12.2
At 31 December 2018		1.6	1.7	0.3	63.3	(256.7)	(15.5)	(2.0)	(207.3)
Other comprehensive (expense)/income		**(1.0)**	**-**	**-**	**-**	**67.0**	**7.3**	**0.6**	**73.9**
Share-based payment expense	28	**-**	**-**	**-**	**14.4**	**-**	**-**	**-**	**14.4**
At 31 December 2019		**0.6**	**1.7**	**0.3**	**77.7**	**(189.7)**	**(8.2)**	**(1.4)**	**(119.0)**

The nature and purpose of each reserve within shareholders' equity are described in note 35.

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Notes	Share Capital €'m	Share Premium €'m	Other Reserves €'m	Retained Earnings €'m	Total €'m
Company:						
At 1 January 2018		22.0	398.7	53.1	271.9	745.7
Profit after tax	8	-	-	-	158.9	158.9
Other comprehensive income		-	-	-	-	-
Total comprehensive income		-	-	-	158.9	158.9
Dividends paid	10	-	-	-	(114.4)	(114.4)
Share-based payment expense	28	-	-	12.2	-	12.2
At 31 December 2018		22.0	398.7	65.3	316.4	802.4
Profit after tax	8	**-**	**-**	**-**	**140.3**	**140.3**
Other comprehensive income		**-**	**-**	**-**	**-**	**-**
Total comprehensive income		**-**	**-**	**-**	**140.3**	**140.3**
Shares issued during the financial year	27	**0.1**	**-**	**-**	**-**	**0.1**
Dividends paid	10	**-**	**-**	**-**	**(128.3)**	**(128.3)**
Share-based payment expense	28	**-**	**-**	**14.4**	**-**	**14.4**
At 31 December 2019		**22.1**	**398.7**	**79.7**	**328.4**	**828.9**

Other Reserves comprise the following:

	Note	Capital Redemption Reserve €'m	Other Undenominated Capital €'m	Share-Based Payment Reserve €'m	Total €'m
At 1 January 2018		1.7	0.3	51.1	53.1
Share-based payment expense	28	-	-	12.2	12.2
At 31 December 2018		1.7	0.3	63.3	65.3
Share-based payment expense	28	**-**	**-**	**14.4**	**14.4**
At 31 December 2019		**1.7**	**0.3**	**77.7**	**79.7**

The nature and purpose of each reserve within shareholders' equity are described in note 35.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Notes	**2019 €'m**	2018 €'m
Operating activities			
Trading profit	29	**902.7**	805.6
Adjustments for:			
Depreciation (net)		**191.4**	134.1
Change in working capital	29	**(63.9)**	(78.8)
Pension contributions paid less pension expense		**(26.7)**	(40.0)
Payments on non-trading items		**(89.1)**	(59.8)
Exchange translation adjustment		**(2.5)**	0.5
Cash generated from operations		**911.9**	761.6
Income taxes paid		**(67.2)**	(46.1)
Finance income received		**0.5**	0.5
Finance costs paid		**(81.3)**	(65.0)
Net cash from operating activities		**763.9**	651.0
Investing activities			
Purchase of assets (net)	29	**(315.6)**	(296.1)
Proceeds from the sale of assets	5	**32.8**	10.6
Capital grants received		**3.0**	-
Purchase of businesses (net of cash acquired)	30	**(562.7)**	(476.8)
Payments relating to previous acquisitions		**(5.3)**	(11.9)
Purchase of share in associates and joint ventures		**-**	(14.5)
Income received from associates and joint ventures	14	**-**	-
Net cash used in investing activities		**(847.8)**	(788.7)
Financing activities			
Dividends paid	10	**(128.3)**	(114.4)
Payment of lease liabilities	11	**(35.5)**	-
Issue of share capital	27	**0.1**	-
Repayment of borrowings		**(564.4)**	(2.5)
Increase in borrowings		**950.0**	352.7
Net cash movement due to financing activities		**221.9**	235.8
Net increase in cash and cash equivalents		**138.0**	98.1
Cash and cash equivalents at beginning of the financial year		403.9	305.6
Exchange translation adjustment on cash and cash equivalents		**7.8**	0.2
Cash and cash equivalents at end of the financial year	29	**549.7**	403.9

Reconciliation of Net Cash Flow to Movement in Net Debt

	Notes	**2019 €'m**	2018 €'m
Net increase in cash and cash equivalents		**138.0**	98.1
Cash flow from debt financing		**(385.6)**	(350.2)
Changes in net debt resulting from cash flows		**(247.6)**	(252.1)
Fair value movement on interest rate swaps (net of adjustment to borrowings)	29	**12.5**	(2.6)
Exchange translation adjustment on net debt	29	**(4.2)**	(27.1)
Movement in net debt in the financial year		**(239.3)**	(281.8)
Net debt at beginning of the financial year		(1,623.5)	(1,341.7)
Net debt at end of the financial year	23	**(1,862.8)**	(1,623.5)

COMPANY STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Notes	**2019 €'m**	2018 €'m
Operating activities			
Trading profit	29	**152.4**	154.9
Adjustments for:			
Depreciation	11	**-**	0.1
Change in working capital	29	**(22.7)**	36.1
Payments on non-trading items		**(1.5)**	-
Net cash from operating activities		**128.2**	191.1
Investing activities			
Investments in subsidiary undertakings	15	**-**	(76.7)
Net cash from investing activities		**-**	(76.7)
Financing activities			
Dividends paid	10	**(128.3)**	(114.4)
Issue of share capital	27	**0.1**	-
Net cash movement due to financing activities		**(128.2)**	(114.4)
Net increase in cash and cash equivalents		**-**	-
Cash and cash equivalents at beginning of the financial year		-	-
Cash and cash equivalents at end of the financial year	29	**-**	-

1. Statement of accounting policies

General information

Kerry Group plc is a public limited company incorporated in the Republic of Ireland. The registered number is 111471 and registered office address is Prince's Street, Tralee, Co. Kerry, V92 EH11, Ireland. The principal activities of the Company and its subsidiaries are described in the Business Reviews and note 36 'Group entities'.

Basis of preparation

The consolidated financial statements of Kerry Group plc have been prepared in accordance with International Financial Reporting Standards ('IFRS'), International Financial Reporting Interpretations Committee ('IFRIC') interpretations and those parts of the Companies Act, 2014 applicable to companies reporting under IFRS. The financial statements comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, the Company Balance Sheet, the Consolidated Statement of Changes in Equity, the Company Statement of Changes in Equity, the Consolidated Statement of Cash Flows, the Company Statement of Cash Flows and the notes to the financial statements. The financial statements include the information in the remuneration report that is described as being an integral part of the financial statements. Both the Parent Company and Group financial statements have also been prepared in accordance with IFRS adopted by the European Union ('EU') which comprise standards and interpretations approved by the International Accounting Standards Board ('IASB'). The Group financial statements comply with Article 4 of the EU IAS Regulation. IFRS adopted by the EU differs in certain respects from IFRS issued by the IASB. References to IFRS hereafter refer to IFRS adopted by the EU.

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

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

The consolidated and company financial statements have been prepared on a going concern basis of accounting.

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

In the 2019 consolidated financial statements, the Group has re-presented corresponding 2018 balances to align with current year presentation in operating profit (note 3).

The comparative amount for other general overheads of €808.7m was previously disclosed as other external charges of €445.1m and other operating charges of €363.6m. These changes in presentation do not impact on the classification of any line items on the Group's Consolidated Income Statement, Balance Sheet or other primary statements.

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

Basis of consolidation

Subsidiaries

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

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

Associates

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

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

1. Statement of accounting policies (continued)

Basis of consolidation (continued)

Associates (continued)

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

Joint ventures

Joint ventures are all entities over which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities. Investments in joint ventures are accounted for using the equity method of accounting and are initially recognised at cost. On acquisition of the investment in joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying value of the investment.

The Group's share of its joint ventures' post-acquisition profits or losses is recognised in 'Share of associates and joint ventures (profit)/loss after taxation' within Trading Profit in the Consolidated Income Statement, and its share of post-acquisition movements in reserves is recognised in reserves until the date on which joint control ceases. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment, less any impairment in value. Where indicators of impairment arise, the carrying amount of the joint venture is tested for impairment by comparing its recoverable amount with its carrying amount.

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

Revenue

Revenue represents the value of the consideration received or receivable, for taste and nutrition applications and consumer foods chilled food products, from third party customers. Revenue is recorded at invoice value, net of discounts, allowances, volume and promotional rebates and excludes VAT. Revenue is recognised when control of the products has transferred, which is usually upon shipment, or in line with terms agreed with individual customers. Revenue is recorded when there is no unfulfilled obligation on the part of the Group. An estimate is made on the basis of historical sales returns and is recorded to allocate these returns to the same period as the original revenue is recorded. Rebates and discounts are provided for based on agreements or contracts with customers, agreed promotional arrangements and accumulated experience using the expected value method. Any unutilised accrual is released after assessment that the likelihood of such a claim being made is highly improbable.

The Group disaggregates revenue by End Use Market (EUM) and primary geographic market. An EUM is defined as the market in which the end consumer or customer of Kerry's product operates. The economic factors within the EUMs of Food, Beverage and Pharma which affect the nature, amount, timing and uncertainty of revenue and cash flows are similar.

Trading profit

Trading profit refers to the operating profit generated by the businesses before intangible asset amortisation and gains or losses generated from non-trading items. Trading profit represents operating profit before specific items that are not reflective of underlying trading performance and therefore hinder comparison of the trading performance of the Group's businesses, either year-on-year or with other businesses.

Segmental analysis

Operating segments are reported in a manner consistent with the internal management structure of the Group and the internal financial information provided to the Group's Chief Operating Decision Maker (the Executive Directors) who is responsible for making strategic decisions, allocating resources, monitoring and assessing the performance of each segment. Trading profit as reported internally by segment is the key measure utilised in assessing the performance of operating segments within the Group. Other Corporate activities, such as the cost of corporate stewardship and the cost of the Kerryconnect programme, are reported along with the elimination of inter-group activities under the heading 'Group Eliminations and Unallocated'. Intangible asset amortisation, non-trading items, net finance costs and income taxes are managed on a centralised basis and therefore, these items are not allocated between operating segments and are not reported per segment in note 2.

The Group has determined it has two reportable segments: Taste & Nutrition and Consumer Foods. The Taste & Nutrition segment is the global leader in the development of taste and nutrition solutions for the food, beverage and pharmaceutical industries across Ireland, Europe, Americas and APMEA. Our broad technology foundation, customer-centric business model, and industry leading integrated solutions capability make Kerry the co-creation partner of choice. The Consumer Foods segment is an industry-leading manufacturer of chilled food products primarily in Ireland and in the UK.

Property, plant and equipment

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

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

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

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

1. Statement of accounting policies (continued)

Property, plant and equipment (continued)

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

Leasing

At the commencement date of the lease, the Group recognises a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which consists of the initial measurement of the lease liability, any initial direct costs incurred by the Group in setting up/ entering into the lease, an estimate of any costs to dismantle and remove the asset at the end of the lease and any payments made in advance of the lease commencement date (net of any incentive received).

The Group depreciates right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life or the end of the lease term. The carrying amounts of right-of-use assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. An impairment loss is recognised when the carrying value of an asset exceeds its recoverable amount.

The Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the applicable incremental borrowing rate. Lease payments included in the measurement of the lease liability comprises of fixed or variable payments (based on an index or rate), amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to the initial measurement, the liability will be reduced for payments made and increased for the interest applied and it is remeasured to reflect any reassessment or contract modifications. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset or in the Consolidated Income Statement if the right-of-use asset is already reduced to zero.

The Group has elected to record short-term leases of less than 12 months and leases of low-value assets as defined in IFRS 16 as an operating expense in the Consolidated Income Statement on a straight-line basis over the lease term.

The Group has also elected not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component further increasing the lease liability.

The Group adopted IFRS 16 'Leases' using the modified retrospective approach. Accordingly, the comparative information has not been restated and continues to be accounted for in accordance with the Group's previous accounting policy under IAS 17 'Leases'.

Leasing policy applicable before 1 January 2019 (Operating leases)

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

Assets classified as held for sale

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

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

Intangible assets

Goodwill

Goodwill arises on business combinations and represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary entity at the date control is achieved.

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

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

Brand related intangibles

Brand related intangibles acquired as part of a business combination are valued at their fair value at the date control is achieved. Intangible assets determined to have an indefinite useful life are not amortised and are tested for impairment at least annually. Indefinite life intangible assets are those for which there is no foreseeable limit to their expected useful life. In arriving at the conclusion that these brand related intangibles have an indefinite life, management considers the nature and type of the intangible asset, the absence of any legal or other limits on the assets' use, the fact the business and products have a track record of stability, the high barriers to market entry and the Group's commitment to continue to invest for the long term to extend the period over which the intangible asset is expected to continue to provide economic benefits. The classification of intangible assets as indefinite is reviewed annually.

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

1. Statement of accounting policies (continued)

Intangible assets (continued)

Computer software

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

Costs relating to the development of computer software for internal use are capitalised once the recognition criteria outlined as follows are met:

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

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

Impairment of non-financial assets

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation. They are tested annually for impairment or when indications exist that the asset may be impaired. For the purpose of assessing impairment, these assets are allocated to groups of cash generating units (CGUs) using a reasonable and consistent basis. An impairment loss is recognised immediately in the Consolidated Income Statement for the amount by which the asset's carrying value exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or its value in use. Value in use is determined as the discounted future cash flows of the CGU. The key assumptions during the financial year for the value in use calculations are discount rates, cash flows and growth rates.

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

The carrying amounts of property, plant and equipment are reviewed at each balance sheet date to determine whether there is any indication of impairment. An impairment loss is recognised when the carrying value of an asset exceeds its recoverable amount.

Inventories

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

Write-downs of inventories are primarily recognised under 'raw materials and consumables' in the Consolidated Income Statement.

Income taxes

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

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

The Group is subject to uncertainties, including tax audits, in any of the jurisdictions in which it operates. The Group accounts for uncertain tax positions in line with IFRIC 23 'Uncertainty over Income Tax Treatments'. The Group considers each uncertain tax treatment separately or together with one or more uncertain tax treatments based on which approach better predicts the resolution of the uncertainty. If the Group concludes that it is not probable that a taxation authority will accept an uncertain tax treatment the Group reflects the effect of the uncertainty in determining the related taxable profit, tax bases, unused tax losses, unused tax credits or tax rate. The Group reflects the effect of uncertainty for each uncertain tax treatment using an expected value approach or a most likely approach depending on which method the Group expects to better predict the resolution of the uncertainty. The unit of account for recognition purposes is the income tax/deferred tax assets or liabilities and the Group does not provide separately for uncertain tax positions. When the final tax outcome for these items is different from amounts recorded, such differences will impact the income tax and deferred tax in the period in which such a determination is made, as well as the Group's cash position.

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

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

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

1. Statement of accounting policies (continued)

Income taxes (continued)

Current income tax assets and current income tax liabilities are offset where there is a legally enforceable right to offset the recognised amounts and the Group intends to settle on a net basis. Deferred income tax assets and deferred income tax liabilities are offset where there is a legally enforceable right to offset the recognised amounts, the deferred tax assets and deferred tax liabilities relate to taxes levied by the same taxation authority and the Group intends to settle on a net basis.

Retirement benefits obligation

Payments to defined contribution plans are recognised in the Consolidated Income Statement as they fall due and any contributions outstanding at the financial year end are included as an accrual in the Consolidated Balance Sheet.

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

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

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

Provisions

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

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

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

The outcome depends on future events which are by their nature uncertain. In assessing the likely outcome, management bases its assessment on historical experience and other factors that are believed to be reasonable in the circumstances. Provisions are disclosed in note 25 to the consolidated financial statements.

Non-trading items

Certain items, by virtue of their nature and amount, are disclosed separately in order for the user to obtain a proper understanding of the financial information. These items relate to events or circumstances that are not related to normal trading activities and are labelled collectively as 'non-trading items'.

Non-trading items include gains or losses on the disposal of businesses, disposal of assets (non-current assets and assets classified as held for sale), costs in preparation of disposal of assets, material restructuring costs and material transaction, integration and restructuring costs associated with acquisitions. Non-trading items are disclosed in note 5 to the consolidated financial statements.

Research and development expenditure

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

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

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

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

Grants

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

Dividends

Dividends are accounted for when they are approved, through the retained earnings reserve. Dividends proposed do not meet the definition of a liability until such time as they have been approved. Dividends are disclosed in note 10 to the consolidated financial statements.

Share-based payments

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

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

1. Statement of accounting policies (continued)

Share-based payments (continued)

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

At the balance sheet date, the estimate of the level of vesting is reviewed and any adjustment necessary is recognised in the Consolidated Income Statement and in the Statement of Changes in Equity. Share-based payments are disclosed in note 28 to the consolidated financial statements.

Foreign currency

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

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

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

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

Borrowing costs

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

Business combinations

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

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

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

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

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

Investments in subsidiaries

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

Investments in associates and joint ventures

Investments in associates and joint ventures held by the Group are accounted for using the equity method, after initially being recognised at cost in the Consolidated Balance Sheet.

Financial instruments

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

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

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

Financial assets and liabilities are offset and presented on a net basis in the Consolidated Balance Sheet, only if the Group holds an enforceable legal right of set off for such amounts and there is an intention to settle on a net basis or to realise an asset and settle the liability simultaneously. In all other instances they are presented gross in the Consolidated Balance Sheet.

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss); and
- those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows. For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI.

1. Statement of accounting policies (continued)

Financial instruments (continued)

For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

Debt instruments:
Subsequent measurement of debt instruments depend on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest, are measured at amortised cost. Any gain or loss arising on derecognition is recognised directly in the Consolidated Income Statement. Impairment losses are presented in the Consolidated Income Statement.
- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. The Group have no debt instruments measured at FVOCI.
- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. In addition, assets that are irrevocably designated as FVPL at origination to eliminate or significantly reduce an accounting mismatch are also measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in the Consolidated Income Statement.

Equity instruments:
The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to the Consolidated Income Statement following the derecognition of the investment. Dividends from such investments continue to be recognised in the Consolidated Income Statement when the Group's right to receive payments is established.

Changes in the fair value of financial assets measured at FVPL (Rabbi Trust assets) are recognised in the Consolidated Income Statement. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

Trade and other receivables:
Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

Cash and cash equivalents:
Cash and cash equivalents carried at amortised cost consists of cash at bank and in hand, bank overdrafts held by the Group and short term bank deposits with a maturity of three months or less from the date of placement. Cash at bank and in hand and short term bank deposits are shown under current assets on the Consolidated Balance Sheet.

Bank overdrafts are shown within 'Borrowings and overdrafts' in current liabilities on the Consolidated Balance Sheet but are included as a component of cash and cash equivalents for the purpose of the Statement of Cash Flows. The carrying amount of these assets and liabilities approximates to their fair value.

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

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

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

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

Impairment of financial assets
The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9 'Financial Instruments', which requires expected lifetime losses to be recognised from initial recognition of the receivables. Further detail is provided in note 19.

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

Derivative financial instruments and hedge accounting
Derivatives are carried at fair value. The Group's activities expose it to risks of changes in foreign currency exchange rates and interest rates in relation to international trading and long term debt. The Group uses foreign exchange forward contracts, interest rate swaps and forward rate agreements to hedge these exposures. The Group does not use derivative financial instruments for speculative purposes. When cross currency interest rate swaps are used to hedge interest rates and foreign exchange rates, the change in the foreign currency basis spreads element of the contract that relates to the hedged item is recognised within other reserves under the cost of hedging reserve.

At inception of the hedge relationship, the Group documents the economic relationship between hedging instruments and hedged items including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items. The Group documents its risk management objective and strategy for undertaking its hedge transactions.

1. Statement of accounting policies (continued)

Financial instruments (continued)

Fair value of financial instrument derivatives

The fair value of derivative instruments is calculated using quoted prices. Where such prices are not available a discounted cash flow analysis is used based on the applicable yield curve adjusted for counterparty risk for the duration and currency of the instrument, which are observable:

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

Cash flow hedges

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

When a hedging instrument expires, or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative deferred gain or loss and deferred cost of hedging in equity at that time remains in equity until the forecast transaction occurs, resulting in the recognition of a non-financial asset, such as inventory. When the forecast transaction is no longer expected to occur, the cumulative gain or loss and deferred cost of hedging that were reported in equity are immediately reclassified to profit or loss.

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

Fair value hedges

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

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

Trading derivatives

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

Critical accounting estimates and judgements

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

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

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

Impairment of goodwill and intangible assets

Determining whether goodwill and intangible assets are impaired or whether a reversal of an impairment of intangible assets (other than on goodwill) should be recorded requires comparison of the value in use for the relevant groups of cash generating units (CGUs) to the net assets attributable to those CGUs. The value in use calculation is based on an estimate of future cash flows expected to arise from the CGUs and these are discounted to net present value using an appropriate discount rate. The tests are dependent on management's estimates, in particular in relation to the forecasting of future cash flows, the discount rates applied to those cash flows, the expected long term growth rate of the applicable businesses and terminal values. Such estimates are subject to change as a result of changing economic conditions. As forecasting future cash flows is dependent upon the Group successfully leveraging its base of intangible assets over the long term, estimates are required in relation to future cash flows which will support the asset value. These estimates may depend upon the outcome of future events and may need to be revised as circumstances change. Details of the assumptions used and key sources of estimation involved are outlined in note 12 to these consolidated financial statements.

Business combinations

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

1. Statement of accounting policies (continued)

Critical accounting estimates and judgements (continued)

Business combinations (continued)

Acquisitions may also result in intangible benefits being brought into the Group, some of which qualify for recognition as intangible assets while other such benefits do not meet the recognition requirements of IFRS and therefore form part of goodwill. Estimation is required in the assessment and valuation of these intangible assets. For intangible assets acquired, the Group bases valuations on expected future cash flows. This method employs a discounted cash flow analysis using the present value of the estimated after-tax cash flows expected to be generated from the purchased intangible asset using risk adjusted discount rates, revenue forecasts and estimated customer attrition as appropriate. The period of expected cash flows is based on the expected useful life of the intangible asset acquired.

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

Business combinations are disclosed in note 30 to the consolidated financial statements.

Income tax charge and income/deferred tax assets and liabilities

Significant judgement and a high degree of estimation is required in determining the income tax charge as the Group operates in many jurisdictions and the tax treatment of many items is uncertain with tax legislation being open to different interpretation. Furthermore, the Group can also be subject to uncertainties, including tax audits in any of the jurisdictions in which it operates, which by their nature, are often complex and can require several years to conclude. The Group considers these uncertain tax positions in the recognition of its income tax/deferred tax assets or liabilities. In line with its accounting policy, the Group bases its assessment on the probability of a tax authority accepting its general treatment having regard to all information available on the tax matter and when it is not probable reflects the uncertainty in income tax/deferred tax assets or liabilities. When applying its accounting policy at the year end the Group generally considered each uncertain tax treatment separately and reflected the effect of the uncertainty in the income tax/deferred tax assets or liabilities using an expected value approach as this better predicts the resolution of the uncertainty. Such estimates are determined based on management judgement, interpretation of the relevant tax laws, correspondence with the relevant tax authorities and external tax advisors and past practices of the tax authorities. Where the final outcome of these tax matters is different from the amounts that were recorded, such differences will impact the income tax and deferred tax charge in the period in which such determination is made.

Income taxes and deferred tax assets and liabilities are disclosed in notes 7 and 17 to the consolidated financial statements, respectively.

Other areas

Other areas where accounting estimates and judgements are required, though the impact on the consolidated financial statements is not considered as significant as those mentioned above, are non-trading items (note 5), property, plant and equipment including right-of-use assets (note 11), intangible assets (note 12), financial asset investments (note 13), assets classified as held for sale (note 18), rebates included in trade and other receivables (note 19), financial instruments (notes 23 and 24), provisions (note 25) and retirement benefits obligation (note 26).

Leasing has been included above as this is the first year of adoption of IFRS 16. In determining the incremental borrowing rate for lease contracts/liabilities the Group, where possible, has utilised external benchmarked information and takes into consideration credit rating, applicable margin for lease by currency, interest rate for the lease term and applies a currency premium where applicable. The Group has applied judgement in determining the lease term of contracts that include renewal options. If the Group is reasonably certain of exercising such options this will impact the lease term and accordingly the amount of lease liabilities and right-of-use assets recognised. The Group reassesses these estimates and judgements if a significant event or a significant change in circumstances occurs.

1. Statement of accounting policies (continued)

New standards and interpretations

Certain new and revised accounting standards and new International Financial Reporting Interpretations Committee ('IFRIC') interpretations have been issued. The Group intends to adopt the relevant new and revised standards when they become effective and the Group's assessment of the impact of these standards and interpretations is set out below.

The following Standards and Interpretations are effective for the Group in 2019 but do not have a material effect on the results or financial position of the Group:		*Effective Date*
- IFRS 16	Leases IFRS 16, published in January 2016, replaces the existing standard IAS 17 'Leases'. IFRS 16 eliminates the classification of leases as either operating leases or finance leases for lessees. It introduces a single lessee accounting model, which requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months with certain exceptions and to recognise depreciation of lease assets separately from interest on lease liabilities in the income statement. The Group has adopted IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application of €12.1m and a deferred tax asset of €2.7m was recognised in retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 has not been restated - i.e. it is presented, as previously reported, under IAS 17 and related interpretations. Right-of-use assets for property leases were measured on transition as if the new rules had always been applied, but discounted at the incremental borrowing rate at 1 January 2019. All other right-of-use assets were measured at the amount of the lease liability on adoption. As at 31 December 2018, the Group had non-cancellable operating lease commitments of €83.1m and finance lease commitments of €nil. Of these commitments, approximately €1.0m relate to short-term leases and €0.1m are low-value leases which will be recognised on a straight-line basis as an expense in the Consolidated Income Statement. The Group has recognised right-of-use assets of €95.2m and lease liabilities of €107.3m on 1 January 2019, the transition date. A reconciliation explaining the difference between the IAS 17 operating lease commitments at year end and the lease liability at the date of transition to IFRS 16 'Leases' has been included in note 11. The weighted average incremental borrowing rate applied to lease liabilities at the date of initial application was 6.7%. The Group has also elected not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component further increasing the lease liability at 1 January 2019. The Group has excluded initial direct costs incurred in entering into the leases recognised on transition on 1 January 2019, these costs are included for leases entered into since this date.	1 January 2019
- IAS 19 (Amendments)	Employee Benefits - Plan Amendment, Curtailment or Settlement	1 January 2019
- IFRIC 23	Uncertainty over Income Tax Treatments IFRIC 23 'Uncertainty over Income Tax Treatments' was issued in June 2017 and clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. The Group had previously accounted for uncertain tax positions in line with IFRIC 23 and therefore, there is no impact to the Group in 2019 in respect of IFRIC 23. The Group considers each uncertain tax treatment separately or together with one or more uncertain tax treatments based on which approach better predicts the resolution of the uncertainty. If the Group concludes that it is not probable that a taxation authority will accept an uncertain tax treatment, the Group reflects the effect of the uncertainty in determining the related taxable profit, tax bases, unused tax losses, unused tax credits or tax rate. The Group reflects the effect of uncertainty for each uncertain tax treatment using an expected value approach or a most likely approach depending on which method the Group expects to better predict the resolution of the uncertainty. The unit of account for recognition purposes is the income tax/deferred tax assets or liabilities and the Group does not provide separately for uncertain tax positions.	1 January 2019

1. Statement of accounting policies (continued)

New standards and interpretations (continued)

The following Standards and Interpretations are not yet effective for the Group and are not expected to have a material effect on the results or financial position of the Group:		***Effective Date***
- IFRS 3 (Amendments)	Business Combinations	1 January 2020
- IFRS 9, IAS 39 & IFRS 7 (Amendments)	Interest Rate Benchmark Reform	1 January 2020
- IAS 1 (Amendments)	Presentation of Financial Statements	1 January 2020
- IAS 8 (Amendments)	Accounting Policies, Changes in Accounting Estimates and Errors	1 January 2020
- The Conceptual Framework	Revised Conceptual Framework for Financial Reporting	1 January 2020
- IFRS 17	Insurance Contracts IFRS 17 published in May 2017 will be effective for reporting periods beginning on or after 1 January 2021. The Group is currently assessing the potential impact of the standard on future periods however it is not expected that it will have a material impact.	1 January 2021

2. Analysis of results

The Group has determined it has two reportable segments: Taste & Nutrition and Consumer Foods. The Taste & Nutrition segment is the global leader in the development of taste and nutrition solutions for the food, beverage and pharmaceutical industries across Ireland, Europe, Americas and APMEA. Our broad technology foundation, customer-centric business model, and industry-leading integrated solutions capability make Kerry the co-creation partner of choice. The Consumer Foods segment is an industry-leading manufacturer of chilled food products primarily in Ireland and in the UK.

	Taste & Nutrition 2019 €'m	**Consumer Foods 2019 €'m**	**Group Eliminations and Unallocated 2019 €'m**	**Total 2019 €'m**	Taste & Nutrition 2018 €'m	Consumer Foods 2018 €'m	Group Eliminations and Unallocated 2018 €'m	Total 2018 €'m
External revenue	**5,939.1**	**1,302.2**	**-**	**7,241.3**	5,272.4	1,335.2	-	6,607.6
Inter-segment revenue	**78.5**	**4.4**	**(82.9)**	**-**	78.2	3.8	(82.0)	-
Revenue	**6,017.6**	**1,306.6**	**(82.9)**	**7,241.3**	5,350.6	1,339.0	(82.0)	6,607.6
Trading profit	**918.5**	**98.9**	**(114.7)**	**902.7**	805.3	100.1	(99.8)	805.6
Intangible asset amortisation				**(64.3)**				(53.8)
Non-trading items				**(110.9)**				(66.9)
Operating profit				**727.5**				684.9
Finance income				**0.3**				0.5
Finance costs				**(81.9)**				(67.5)
Profit before taxation				**645.9**				617.9
Income taxes				**(79.4)**				(77.4)
Profit after taxation attributable to owners of the parent				**566.5**				540.5
Segment assets and liabilities								
Segment assets	**6,268.5**	**925.7**	**2,310.1**	**9,504.3**	5,492.1	938.1	1,893.5	8,323.7
Segment liabilities	**(1,565.7)**	**(311.8)**	**(3,064.6)**	**(4,942.1)**	(1,201.1)	(348.2)	(2,740.0)	(4,289.3)
Net assets	**4,702.8**	**613.9**	**(754.5)**	**4,562.2**	4,291.0	589.9	(846.5)	4,034.4
Other segmental information								
Property, plant and equipment additions	**247.2**	**32.7**	**0.7**	**280.6**	259.1	23.6	1.0	283.7
Depreciation (net)	**164.6**	**22.7**	**4.1**	**191.4**	115.0	18.5	0.6	134.1
Intangible asset additions	**1.3**	**2.0**	**51.9**	**55.2**	0.3	2.1	28.0	30.4
Intangible asset amortisation	**23.0**	**6.8**	**34.5**	**64.3**	17.1	6.6	30.1	53.8

2. Analysis of results (continued)

Revenue analysis

Disaggregation of revenue from external customers is analysed by End Use Market (EUM), which is the primary market in which Kerry's products are consumed, and primary geographic market. An EUM is defined as the market in which the end consumer or customer of Kerry's product operates. The economic factors within the EUMs of Food, Beverage and Pharma and within the primary geographic markets which affect the nature, amount, timing and uncertainty of revenue and cash flows are similar.

Analysis by EUM

	Taste & Nutrition 2019 €'m	Consumer Foods 2019 €'m	Total 2019 €'m	Taste & Nutrition 2018 €'m	Consumer Foods 2018 €'m	Total 2018 €'m
Food	**4,161.5**	**1,302.2**	**5,463.7**	3,617.6	1,335.2	4,952.8
Beverage	**1,507.6**	**-**	**1,507.6**	1,390.8	-	1,390.8
Pharma	**270.0**	**-**	**270.0**	264.0	-	264.0
External revenue	**5,939.1**	**1,302.2**	**7,241.3**	5,272.4	1,335.2	6,607.6

Analysis by primary geographic market

Disaggregation of revenue from external customers is analysed by geographical split:

	Taste & Nutrition 2019 €'m	Consumer Foods 2019 €'m	Total 2019 €'m	Taste & Nutrition 2018 €'m	Consumer Foods 2018 €'m	Total 2018 €'m
Republic of Ireland	**184.9**	**252.5**	**437.4**	186.1	270.8	456.9
Rest of Europe	**1,271.5**	**1,049.7**	**2,321.2**	1,235.7	1,064.4	2,300.1
Americas	**3,197.8**	**-**	**3,197.8**	2,745.3	-	2,745.3
APMEA*	**1,284.9**	**-**	**1,284.9**	1,105.3	-	1,105.3
External revenue	**5,939.1**	**1,302.2**	**7,241.3**	5,272.4	1,335.2	6,607.6

* Asia Pacific, Middle East and Africa

Information about geographical areas

	Europe 2019 €'m	Americas 2019 €'m	APMEA* 2019 €'m	Total 2019 €'m	Europe 2018 €'m	Americas 2018 €'m	APMEA* 2018 €'m	Total 2018 €'m
Segment assets by location	**4,858.4**	**3,502.3**	**1,143.6**	**9,504.3**	4,173.7	3,160.3	989.7	8,323.7
Property, plant and equipment additions	**87.9**	**114.7**	**78.0**	**280.6**	87.9	142.1	53.7	283.7
Intangible asset additions	**54.3**	**0.9**	**-**	**55.2**	30.1	0.3	-	30.4

* Asia Pacific, Middle East and Africa

Kerry Group plc is domiciled in the Republic of Ireland and the revenues from external customers in the Republic of Ireland were **€437.4m** (2018: €456.9m). The non-current assets located in the Republic of Ireland are **€930.3m** (2018: €1,000.3m).

Revenues from external customers include **€1,527.9m** (2018: €1,560.8m) in the UK and **€2,597.5m** (2018: €2,189.5m) in the USA. The non-current assets in the UK are **€737.2m** (2018: €668.9m) and in the USA are **€2,142.5m** (2018: €1,924.8m).

There are no material dependencies or concentrations on individual customers which would warrant disclosure under IFRS 8 'Operating Segments'. The accounting policies of the reportable segments are the same as the Group's accounting policies as outlined in the Statement of Accounting Policies. Under IFRS 15 'Revenue from Contracts with Customers' revenue is primarily recognised at a point in time. Revenue recorded over time during the year was not material to the Group.

3. Operating profit

(i) Analysis of costs by nature

	Notes	**Continuing Operations 2019 €'m**	Continuing Operations 2018 €'m
Revenue		**7,241.3**	6,607.6
Less operating costs:			
Raw materials and consumables		**3,897.7**	3,693.3
Other general overheads		**948.0**	808.7
Staff costs	4	**1,330.9**	1,185.3
Depreciation:			
- property, plant and equipment	11	**158.6**	136.4
- right-of-use assets	11	**35.2**	-
Capital grants amortisation	21	**(2.4)**	(2.3)
Loss allowances on trade receivables	19	**6.5**	8.5
Foreign exchange (gains)/losses		**(1.0)**	6.2
Change in inventories of finished goods		**(34.3)**	(34.4)
Share of associates and joint ventures (profit)/loss after tax during the financial year	14	**(0.6)**	0.3
Trading profit		**902.7**	805.6
Intangible asset amortisation	12	**64.3**	53.8
Non-trading items	5	**110.9**	66.9
Operating profit		**727.5**	684.9
And is stated after charging:			
Research and development costs		**291.4**	274.6

(ii) Auditors' remuneration

	PwC Ireland 2019 €'m	**PwC Other 2019 €'m**	**PwC Worldwide 2019 €'m**	PwC Ireland 2018 €'m	PwC Other 2018 €'m	PwC Worldwide 2018 €'m
Statutory disclosure:						
Group audit	**1.5**	**1.7**	**3.2**	1.1	1.6	2.7
Other assurance services	**0.1**	**-**	**0.1**	0.1	-	0.1
Total assurance services	**1.6**	**1.7**	**3.3**	1.2	1.6	2.8
Tax advisory services	**-**	**-**	**-**	-	0.1	0.1
Other non-audit services	**-**	**-**	**-**	-	-	-
Total non-audit services	**-**	**-**	**-**	-	0.1	0.1
Total auditors' remuneration	**1.6**	**1.7**	**3.3**	1.2	1.7	2.9
Assurance services			**100%**			97%
Non-audit services			**-**			3%
Total			**100%**			100%

Group audit consists of fees payable for the consolidated and statutory audits of the Group and its subsidiaries. Included in Group audit are total fees of **€4,720** (2018: €4,720) which are due to the Group's auditor in respect of the Parent Company. Reimbursement of auditors' expenses amounted to **€0.2m** (2018: €0.3m).

4. Total staff numbers and costs

The average number of people employed by the Group was:

	Taste & Nutrition 2019 Number	**Consumer Foods 2019 Number**	**Total 2019 Number**	Taste & Nutrition 2018 Number	Consumer Foods 2018 Number	Total 2018 Number
Europe	**5,312**	**6,557**	**11,869**	5,570	7,003	12,573
Americas	**9,349**	**-**	**9,349**	8,214	-	8,214
APMEA	**4,872**	**-**	**4,872**	4,468	-	4,468
	19,533	**6,557**	**26,090**	18,252	7,003	25,255

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

	Taste & Nutrition 2019 €'m	**Consumer Foods 2019 €'m**	**Total 2019 €'m**	Taste & Nutrition 2018 €'m	Consumer Foods 2018 €'m	Total 2018 €'m
Europe	**347.0**	**243.2**	**590.2**	353.3	240.4	593.7
Americas	**576.7**	**-**	**576.7**	465.8	-	465.8
APMEA	**164.0**	**-**	**164.0**	125.8	-	125.8
	1,087.7	**243.2**	**1,330.9**	944.9	240.4	1,185.3

Social welfare costs of **€126.5m** (2018: €90.2m) and share-based payment expense of **€14.4m** (2018: €12.2m) are included in payroll costs. Pension costs included in the payroll costs are disclosed in note 26. Included in the above payroll costs disclosure is **€11.2m** (2018: €8.3m) which has been capitalised as part of computer software in intangible assets.

5. Non-trading items

	Notes	**Gross 2019 €'m**	**Tax 2019 €'m**	**Net 2019 €'m**	Net 2018 €'m
Taste & Nutrition acquisition related costs:					
- acquisition integration and restructuring costs	(i)	**(63.1)**	**14.9**	**(48.2)**	(34.1)
- other transaction costs	(i)	**(17.6)**	**-**	**(17.6)**	-
		(80.7)	**14.9**	**(65.8)**	(34.1)
Consumer Foods Realignment Programme	(ii)	**(26.7)**	**4.5**	**(22.2)**	(15.1)
Loss on disposal of businesses and assets	(iii)	**(3.5)**	**(0.2)**	**(3.7)**	(5.9)
2019 Non-trading items		**(110.9)**	**19.2**	**(91.7)**	(55.1)
2018 Non-trading items		(66.9)	11.8	(55.1)	

(i) Taste & Nutrition acquisition related costs

During the year, acquisition integration and restructuring costs of **€63.1m** (2018: €44.2m) primarily related to costs of integrating recent acquisitions into the Group's operations and transaction expenses incurred in completing current year acquisitions. These costs reflect the closure of factories, relocation of resources and the restructuring of operations in order to integrate the acquired businesses into the existing Kerry operating model. A tax credit of **€14.9m** (2018: €10.1m) arose due to tax deductions available on acquisition integration and restructuring costs.

Other transaction costs of **€17.6m** related to a material transaction process that the Group participated in. These costs primarily related to external costs associated with deal preparation, integration planning and due diligence. The associated tax credit is **€nil** (2018: €nil).

5. Non-trading items (continued)

(ii) Consumer Foods Realignment Programme

During 2019, the Consumer Foods business completed a programme to simplify its business model in terms of footprint and resources in response to the challenging marketplace. The charge relating to this in 2019 is **€26.7m**, which reflects redundancies, relocation of resources and the streamlining of operations. The associated tax credit is **€4.5m** (2018: €nil).

In 2018, Consumer Foods completed its Brexit Mitigation Programme whereby certain sourcing and production activities were relocated and other activities restructured as a consequence of Brexit in order to reduce the Group's sterling transaction exposure. The net charge relating to this in 2019 is **€nil** (2018: €15.1m) and the associated tax credit is **€nil** (2018: €2.2m).

(iii) Loss on disposal of businesses and assets

During the year, the Group disposed of property, plant and equipment primarily in the UK, US and Australia for a consideration of **€32.8m** resulting in a loss of **€3.5m** for the year ended 31 December 2019. In 2018, the Group disposed of property, plant and equipment primarily in Italy, Malaysia and the US for a consideration of €10.6m resulting in a loss of €1.0m. Also in 2018, the Group disposed of investments in associates for a combined consideration of €1.1m resulting in a loss of €4.4m. Please see note 29 for a reconciliation of the loss and cash impact on disposal of businesses and assets.

A tax charge of **€0.2m** (2018: €0.5m) arose on the disposal of assets and businesses.

There were no impairments of assets held for sale recorded in the financial year.

6. Finance income and costs

	Note	**2019 €'m**	2018 €'m
Finance income:			
Interest income on deposits		**0.3**	0.5
Finance costs:			
Interest payable		**(84.0)**	(66.3)
Interest rate derivative		**2.9**	0.2
		(81.1)	(66.1)
Net interest cost on retirement benefits obligation	26	**(0.8)**	(1.4)
Finance costs		**(81.9)**	(67.5)

7. Income taxes

	Notes	2019 €'m	2018 €'m
Recognition in the Consolidated Income Statement (before credit on non-trading items)			
Current tax expense in the financial year		**86.3**	64.3
Adjustments in respect of prior years		**(0.2)**	(2.7)
		86.1	61.6
Deferred tax in the financial year		**12.5**	27.6
Income tax expense (before credit on non-trading items)		**98.6**	89.2
(Credit) on non-trading items:			
Current tax		**(6.1)**	(2.8)
Deferred tax		**(13.1)**	(9.0)
	5	**(19.2)**	(11.8)
Recognition in the Consolidated Income Statement (after credit on non-trading items)			
Current tax expense in the financial year		**80.2**	61.5
Adjustments in respect of prior years		**(0.2)**	(2.7)
		80.0	58.8
Deferred tax in the financial year	17	**(0.6)**	18.6
Income tax expense (after credit on non-trading items)		**79.4**	77.4

The tax on the Group's profit before taxation differs from the amount that would arise applying the standard corporation tax rate in Ireland as follows:

	2019 €'m	2018 €'m
Profit before taxation	**645.9**	617.9
Taxed at Irish Standard Rate of Tax (12.5%)	**80.7**	77.2
Adjustments to current tax and deferred tax in respect of prior years	**(1.3)**	(1.1)
Net effect of differing tax rates	**3.6**	8.1
Changes in standard rates of taxes	**2.3**	(2.9)
Income not subject to tax	**(2.2)**	(1.3)
Utilisation of unprovided deferred tax assets	**(1.0)**	(1.4)
Other adjusting items	**(2.7)**	(1.2)
Income tax expense	**79.4**	77.4

An increase in the Group's applicable tax rate of 1% would reduce profit after taxation by **€6.4m** (2018: €6.2m). Factors that may affect the Group's future tax charge include the effects of restructuring, acquisitions and disposals, changes in tax legislation and rates and the use of brought forward losses.

8. Profit attributable to Kerry Group plc

In accordance with section 304(2) of the Companies Act, 2014, the Company is availing of the exemption from presenting its individual income statement to the Annual General Meeting and from filing it with the Registrar of Companies. The Company's profit after taxation for the financial year is **€140.3m** (2018: €158.9m).

9. Earnings per A ordinary share

	EPS cent	**2019 €'m**	EPS cent	2018 €'m
Basic earnings per share				
Profit after taxation attributable to owners of the parent	**320.4**	**566.5**	305.9	540.5
Diluted earnings per share				
Profit after taxation attributable to owners of the parent	**319.9**	**566.5**	305.7	540.5

Number of Shares	Note	**2019 m's**	2018 m's
Basic weighted average number of shares		**176.8**	176.7
Impact of share options outstanding		**0.3**	0.1
Diluted weighted average number of shares		**177.1**	176.8
Actual number of shares in issue as at 31 December	27	**176.5**	176.3

10. Dividends

	2019 €'m	2018 €'m
Group and Company:		
Amounts recognised as distributions to equity shareholders in the financial year		
Final 2018 dividend of **49.20 cent** per A ordinary share paid 10 May 2019		
(Final 2017 dividend of 43.90 cent per A ordinary share paid 18 May 2018)	**86.7**	77.4
Interim 2019 dividend of **23.50 cent** per A ordinary share paid 15 November 2019		
(Interim 2018 dividend of 21.00 cent per A ordinary share paid 16 November 2018)	**41.6**	37.0
	128.3	114.4

Since the financial year end the Board has proposed a final 2019 dividend of **55.10 cent** per A ordinary share which amounts to €97.3m. The payment date for the final dividend will be 15 May 2020 to shareholders registered on the record date as at 17 April 2020. The consolidated financial statements do not reflect this dividend.

11. Property, plant and equipment

	Notes	**2019 €'m**	2018 €'m
Group:			
Property, plant and equipment	(i)	**1,963.4**	1,767.0
Right-of-use assets*	(ii)	**99.5**	-
		2,062.9	1,767.0

* The Group have applied the modified retrospective transition approach and have not restated comparative amounts for the years prior to first adoption.

11. Property, plant and equipment (continued)

(i) Property, plant and equipment analysis

	Notes	Land and Buildings €'m	Plant, Machinery and Equipment €'m	Construction in Progress €'m	Motor Vehicles €'m	Total €'m
Group:						
Cost						
At 1 January 2018		1,051.5	1,822.2	211.5	14.7	3,099.9
Businesses acquired		19.3	53.1	7.4	-	79.8
Additions		22.0	54.1	207.0	0.6	283.7
Transfer from construction in progress		53.7	89.7	(143.4)	-	-
Disposals		(8.1)	(38.6)	-	(0.5)	(47.2)
Transfer to held for sale		-	-	-	-	-
Exchange translation adjustment		12.0	19.2	3.5	(0.2)	34.5
At 31 December 2018		1,150.4	1,999.7	286.0	14.6	3,450.7
Businesses acquired	30	**63.9**	**50.0**	**0.7**	**0.1**	**114.7**
Additions		**25.6**	**69.2**	**142.1**	**1.8**	**238.7**
Transfer from construction in progress		**65.8**	**140.9**	**(206.7)**	**-**	**-**
Disposals	5	**(26.3)**	**(133.2)**	**-**	**(2.1)**	**(161.6)**
Transfer from held for sale	18	**5.9**	**0.3**	**-**	**-**	**6.2**
Exchange translation adjustment		**23.8**	**43.8**	**6.0**	**0.4**	**74.0**
At 31 December 2019		**1,309.1**	**2,170.7**	**228.1**	**14.8**	**3,722.7**
Accumulated depreciation and impairment						
At 1 January 2018		383.9	1,174.8	-	11.6	1,570.3
Charge during the financial year	3	31.2	104.3	-	0.9	136.4
Impairments	3	0.9	2.5	-	-	3.4
Disposals		(7.2)	(34.3)	-	(0.5)	(42.0)
Transfer to held for sale		-	-	-	-	-
Exchange translation adjustment		4.1	11.6	-	(0.1)	15.6
At 31 December 2018		412.9	1,258.9	-	11.9	1,683.7
Charge during the financial year	3	**36.7**	**120.8**	**-**	**1.1**	**158.6**
Impairments	3	**0.2**	**-**	**-**	**-**	**0.2**
Disposals	5	**(15.7)**	**(107.8)**	**-**	**(1.8)**	**(125.3)**
Transfer from held for sale	18	**3.9**	**0.3**	**-**	**-**	**4.2**
Exchange translation adjustment		**8.8**	**28.9**	**-**	**0.2**	**37.9**
At 31 December 2019		**446.8**	**1,301.1**	**-**	**11.4**	**1,759.3**
Carrying value						
At 31 December 2018		737.5	740.8	286.0	2.7	1,767.0
At 31 December 2019		**862.3**	**869.6**	**228.1**	**3.4**	**1,963.4**

Included in the impairments above is **€0.2m** (2018: €3.4m) charged to non-trading items.

11. Property, plant and equipment (continued)

(i) Property, plant and equipment analysis (continued)

	Land and Buildings Total €'m
Company:	
Cost	
At 1 January 2018	4.7
At 31 December 2018 and 2019	**4.7**
Accumulated depreciation	
At 1 January 2018	4.3
Charge during the financial year	0.1
At 31 December 2018	4.4
Charge during the financial year	**-**
At 31 December 2019	**4.4**
Carrying value	
At 31 December 2018	0.3
At 31 December 2019	**0.3**

(ii) Right-of-use assets analysis

	Note	Land and Buildings €'m	Plant, Machinery and Equipment €'m	Motor Vehicles €'m	Total €'m
Group:					
Cost					
At 31 December 2018		-	-	-	-
Adjustment on initial application of IFRS 16 'Leases' at 1 January 2019		**71.3**	**11.8**	**12.1**	**95.2**
Businesses acquired	30	**0.3**	**0.1**	**-**	**0.4**
Additions		**27.3**	**8.6**	**6.0**	**41.9**
Terminations		**(4.4)**	**(0.8)**	**(1.2)**	**(6.4)**
At 31 December 2019		**94.5**	**19.7**	**16.9**	**131.1**
Accumulated depreciation					
At 31 December 2018		-	-	-	-
Charge during the financial year		**23.2**	**5.6**	**6.4**	**35.2**
Terminations		**(2.0)**	**(0.8)**	**(0.8)**	**(3.6)**
At 31 December 2019		**21.2**	**4.8**	**5.6**	**31.6**
Carrying value					
At 1 January 2019		71.3	11.8	12.1	95.2
At 31 December 2019		**73.3**	**14.9**	**11.3**	**99.5**

11. Property, plant and equipment (continued)

(ii) Right-of-use assets analysis (continued)

The right-of-use assets consist of:

- land and buildings for warehouse space, offices and manufacturing facilities. The lease terms vary and range from 1 to 94 years with an average of 8 years for buildings and an average of 55 years for land;
- machinery, equipment, tools, furniture and other equipment when combined are insignificant to the total leased assets portfolio and have an average lease term of 4 to 5 years; and
- motor vehicles for management and sales functions and trucks for distribution in specific businesses. The lease terms for motor vehicles range from 1 to 8 years with an average of 4 years.

At 1 January 2019, on transition to IFRS 16, the Group recognised right-of-use assets of **€95.2m** and lease liabilities of **€107.3m**. The Group recorded the difference of **€12.1m** and the related deferred tax asset of **€2.7m** in retained earnings.

(iii) Lease Disclosures

(iii.i) Amounts recognised in the Consolidated Income Statement:	2019 €'m
Depreciation charged during the financial year	**35.2**
Expenses relating to short-term leases	**1.9**
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	**0.2**
Interest on lease liabilities*:	
- on transition to IFRS 16	**4.6**
- leases entered into during the financial year	**1.7**

* included in interest payable

(iii.ii) Amounts recognised in the Consolidated Statement of Cash Flows:	2019 €'m
Total cash outflow for leases during the year*	**43.9**

* includes interest expense and principal repayments of lease liabilities and short-term and low-value lease expenses

(iii.iii) At the balance sheet date the Group had commitments under non-cancellable leases which fall due as follows:	2019 €'m
Within 1 year	**34.9**
Within 2 to 5 years	**57.2**
After 5 years	**17.3**
	109.4

(iv) Reconciliation of IAS 17 lease commitments and IFRS 16 lease liability

	2019 €'m
Future minimum lease payments under non-cancellable operating leases as at 31 December 2018	83.1
- additional leases identified for acquisitions as part of the measurement period	6.2
- future lease payments on renewal options that are reasonably certain	26.7
- non-lease components	14.3
- future lease payments on short-term leases	(1.0)
- future lease payments on low-value leases	(0.1)
Total future lease payments	129.2
Effect of discounting	(21.9)
Lease liability at 1 January 2019	**107.3**

12. Intangible assets

	Notes	Goodwill €'m	Brand Related Intangibles €'m	Computer Software €'m	Total €'m
Cost					
At 1 January 2018		2,229.3	1,552.9	234.6	4,016.8
Businesses acquired		133.7	314.5	-	448.2
Additions		-	-	30.4	30.4
Purchase adjustment		5.8	-	-	5.8
Disposals		-	-	(3.8)	(3.8)
Exchange translation adjustment		8.6	12.7	0.4	21.7
At 31 December 2018		2,377.4	1,880.1	261.6	4,519.1
Businesses acquired	30	**200.7**	**237.0**	**-**	**437.7**
Additions		**-**	**-**	**55.2**	**55.2**
Purchase adjustment		**5.1**	**5.4**	**-**	**10.5**
Disposals		**-**	**-**	**(0.5)**	**(0.5)**
Exchange translation adjustment		**41.0**	**21.2**	**0.7**	**62.9**
At 31 December 2019		**2,624.2**	**2,143.7**	**317.0**	**5,084.9**
Accumulated amortisation and impairment					
At 1 January 2018		18.5	204.3	147.3	370.1
Charge during the financial year	3	-	28.8	25.0	53.8
Disposals		-	-	(3.8)	(3.8)
Exchange translation adjustment		0.2	2.8	0.4	3.4
At 31 December 2018		18.7	235.9	168.9	423.5
Charge during the financial year	3	**-**	**37.8**	**26.5**	**64.3**
Disposals		**-**	**-**	**(0.5)**	**(0.5)**
Exchange translation adjustment		**1.9**	**5.5**	**0.5**	**7.9**
At 31 December 2019		**20.6**	**279.2**	**195.4**	**495.2**
Carrying value					
At 31 December 2018		2,358.7	1,644.2	92.7	4,095.6
At 31 December 2019		**2,603.6**	**1,864.5**	**121.6**	**4,589.7**

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

Included in the cost of brand related intangibles are intangibles of **€1,307.2m** (2018: €1,175.9m) which have indefinite lives.

Approximately **€16.5m** (2018: €11.4m) of computer software additions during the year were internally generated. Included in this are payroll costs of **€11.2m** (2018: €8.3m). The Group has not capitalised product development expenditure in 2019 (2018: €nil).

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

12. Intangible assets (continued)

Impairment testing

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

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

No impairment was recognised in 2019 or 2018 as a result of the impairment testing which identified significant headroom in the recoverable amount of the related CGUs as compared to their carrying value. In 2019, there was no specific impairment charge (2018: €nil) in relation to goodwill recorded in non-trading items in the Consolidated Income Statement due to the classification of a business as held for sale.

A summary of the allocation of the carrying value of goodwill and indefinite life intangible assets by CGU, is as follows:

	Goodwill 2019 €'m	Goodwill 2018 €'m	**Indefinite Life Intangibles 2019 €'m**	Indefinite Life Intangibles 2018 €'m
Taste & Nutrition				
Europe	**507.4**	497.1	**102.3**	104.0
Americas	**1,492.1**	1,286.1	**1,106.0**	974.3
APMEA	**182.7**	171.2	**51.6**	51.6
Consumer Foods				
Europe	**421.4**	404.3	**47.3**	46.0
	2,603.6	2,358.7	**1,307.2**	1,175.9

Key assumptions

Forecasts are generally derived from a combination of internal and external factors based on historical experience and take account of expected growth in the relevant region. The key assumptions for calculating value in use calculations are those relating to the discount rate, growth rate and cash flows. The table below outlines the weighted average discount rates and weighted average long term growth rates used in the terminal value for each CGU:

	Discount Rates 2019	Discount Rates 2018	**Growth Rates 2019**	Growth Rates 2018
Taste & Nutrition				
Europe	**6.5%**	6.8%	**1.9%**	1.9%
Americas	**6.9%**	6.8%	**2.4%**	2.4%
APMEA	**8.8%**	9.7%	**4.9%**	4.9%
Consumer Foods				
Europe	**6.4%**	6.7%	**1.9%**	1.9%

Management estimate discount rates using pre-tax rates consistent with the Group's weighted average cost of capital and the risks specific to the CGUs. A higher discount rate is applied to higher risk markets, while a lower rate is applied to more stable markets.

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

The assumptions used by management in estimating cash flows for each CGU include future profitability, capital expenditure requirements and working capital investment. The cash flows included in the value in use calculations are generally determined based on historical performance, management's past experience, management's expectation of future trends affecting the industry and other developments and initiatives in the business. Capital expenditure requirements to maintain the CGUs performance and profitability are based on the Group's strategic plans and broadly assume that historic investment patterns will be maintained. Working capital requirements are forecast to move in line with activity.

12. Intangible assets (continued)

Impairment testing (continued)

Sensitivity analysis

Sensitivity analysis has been performed across the four CGUs. If the discount rate was 1% higher than management's estimates, there would have been no requirement for the Group to recognise any impairment charge in 2019 or 2018. Further, a 5% increase would not have resulted in an impairment charge in 2019 or 2018 as there is headroom in the discounted cash flows. If the estimated growth rate was 1% lower than management's estimates, there would have been no requirement for the Group to recognise any impairment charge in 2019 or 2018. If the estimated cash flows were 5% lower than management's estimates, again there would have been no requirement for the Group to recognise any impairment charge in 2019 or 2018. Management believes that no reasonable change, in normal circumstances, in any of the above key assumptions would cause the carrying value of any CGU to exceed its recoverable amount.

13. Financial asset investments

	FVOCI Investments €'m	Other Investments €'m	Total €'m
At 1 January 2018	7.2	37.4	44.6
Additions	-	4.1	4.1
Disposals	-	(12.7)	(12.7)
Fair value movements	(1.9)	(0.6)	(2.5)
Exchange translation adjustment	-	1.8	1.8
At 31 December 2018	5.3	30.0	35.3
Additions	**-**	**3.0**	**3.0**
Disposals	**-**	**(1.5)**	**(1.5)**
Fair value movements	**(1.0)**	**5.4**	**4.4**
Exchange translation adjustment	**-**	**0.5**	**0.5**
At 31 December 2019	**4.3**	**37.4**	**41.7**

Investments held at fair value through other comprehensive income

These represent investments in equity securities. These investments have no fixed maturity or coupon rate. A fair value assessment was performed in 2019 which resulted in a decrease to the carrying value of these assets of **€1.0m** (2018: €1.9m) through other comprehensive income.

Other investments

The Group maintains a Rabbi Trust in respect of a non-qualified deferred compensation plan in the USA. The assets of the trust primarily consist of equities, bonds and cash which are restricted for use. The equities and bonds are fair valued through profit or loss at each financial year end using quoted market prices. The corresponding liability is recognised within other non-current liabilities (note 22).

14. Investments in associates and joint ventures

	Notes	**2019 €'m**	2018 €'m
At 1 January		15.6	5.8
Acquisition		**-**	15.6
Disposal	5	**-**	(5.5)
Share of profit/(loss) after tax during the financial year	3	**0.6**	(0.3)
At 31 December		**16.2**	15.6

In 2018, the Group entered into a joint venture through the purchase of a 55% shareholding in Proparent B.V. for a total consideration of €15.6m. Proparent B.V. owns Ojah B.V., an alternative protein and extrusion business based in The Netherlands. The Group has a call option to acquire the remaining 45% interest under an agreed valuation methodology in 2022. The Group is satisfied that the fair value attached to this call option is nominal.

During 2018, the Group disposed of its 42.8% shareholding in The Bodychef Limited and its 28.6% shareholding in Everdine Holding S.a.r.l. from the investment in associates line in the Consolidated Balance Sheet for a combined consideration of €1.1m resulting in a loss of €4.4m.

15. Investments in subsidiaries

	2019 €'m	2018 €'m
Company:		
At 1 January	714.4	637.7
Additions	**-**	76.7
At 31 December	**714.4**	714.4

In 2018, the Company increased its investment in Kerry Holding Co. in the US in order to fund acquisitions.

16. Inventories

	2019 €'m	2018 €'m
Raw materials and consumables	**441.8**	367.1
Finished goods and goods for resale	**515.2**	480.9
Expense inventories	**36.3**	29.8
At 31 December	**993.3**	877.8

Write-downs of inventories recognised as an expense approximates to **1.2%** (2018: 0.9%) of raw materials and consumables in the Consolidated Income Statement.

17. Deferred tax assets and liabilities

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

	Note	Property, Plant and Equipment €'m	Intangible Assets €'m	Tax Credits and NOLs €'m	Retirement Benefits Obligation €'m	Short Term Temporary Differences and Other Differences €'m	Total €'m
At 1 January 2018		67.8	205.3	(21.2)	(22.4)	(34.0)	195.5
Consolidated Income Statement movement	7	8.5	2.5	(1.0)	7.3	1.3	18.6
Recognised in other comprehensive income (OCI) during the financial year		-	-	-	6.3	0.2	6.5
Related to businesses acquired/(disposed)		3.9	59.5	-	-	0.7	64.1
Exchange translation adjustment		2.1	1.6	0.7	(0.4)	(1.7)	2.3
At 31 December 2018		82.3	268.9	(21.5)	(9.2)	(33.5)	287.0
Adjustment on initial application of IFRS 16 'Leases'		**(2.7)**	**-**	**-**	**-**	**-**	**(2.7)**
Adjusted balances at 1 January 2019		**79.6**	**268.9**	**(21.5)**	**(9.2)**	**(33.5)**	**284.3**
Consolidated Income Statement movement	7	**(4.2)**	**2.1**	**2.5**	**3.8**	**(4.8)**	**(0.6)**
Recognised in OCI during the financial year - pension & hedging		**-**	**-**	**-**	**2.0**	**1.4**	**3.4**
Related to businesses acquired/(disposed)		**3.1**	**7.1**	**(0.7)**	**-**	**(1.1)**	**8.4**
Exchange translation adjustment		**2.1**	**3.5**	**(0.3)**	**0.1**	**(0.9)**	**4.5**
At 31 December 2019		**80.6**	**281.6**	**(20.0)**	**(3.3)**	**(38.9)**	**300.0**

The short term temporary differences and other temporary differences recognised in other comprehensive income comprise fair value movements on cash flow hedges of **€1.4m** (2018: €0.2m). In the above table, NOLs refers to Net Operating Losses.

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

	2019 €'m	2018 €'m
Deferred tax assets	**(38.9)**	(37.1)
Deferred tax liabilities	**338.9**	324.1
	300.0	287.0

The total deductible temporary differences for which deferred tax assets have not been recognised is **€27.4m** (2018: €22.9m). The Group does not have any unrecognised losses which have an expiry date.

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

An increase of 1% in the tax rates at which deferred tax is calculated would increase the net deferred tax balance of the Group by **€14.5m** (2018: €13.3m).

18. Assets classified as held for sale

	2019 €'m	2018 €'m
Property, plant and equipment	**-**	2.0
	-	2.0

In 2019, the Group reclassified certain property, plant and equipment from held for sale to property, plant and equipment in the Taste & Nutrition segment in Europe.

19. Trade and other receivables

	Group 2019 €'m	Group 2018 €'m	Company 2019 €'m	Company 2018 €'m
Trade receivables	**1,002.4**	906.4	**-**	-
Loss allowances	**(35.7)**	(31.5)	**-**	-
Trade receivables due within 1 year	**966.7**	874.9	**-**	-
Other receivables and prepayments	**56.8**	53.6	**-**	-
Amounts due from subsidiaries	**-**	-	**135.8**	94.1
VAT receivable	**40.4**	38.9	**-**	-
Receivables due after 1 year	**2.4**	0.4	**-**	-
	1,066.3	967.8	**135.8**	94.1

All receivable balances are due within 1 year except for **€2.4m** (2018: €0.4m) outlined above. All receivable balances are within terms with the exception of certain trade receivables which are past due and are detailed below.

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

	Note	2019 €'m	2018 €'m
Within terms		**823.9**	734.0
Past due not more than 1 month		**100.4**	108.2
Past due more than 1 month but less than 2 months		**31.1**	24.7
Past due more than 2 months but less than 3 months		**9.2**	6.3
Past due more than 3 months		**2.1**	1.7
Trade receivables (net)		**966.7**	874.9

The following table summarises the movement in loss allowances:

	Note	2019 €'m	2018 €'m
At beginning of financial year		31.5	29.0
Increase in loss allowance charged to the Consolidated Income Statement	3	**6.5**	8.5
Utilised during the financial year		**(3.1)**	(5.7)
Exchange translation adjustment		**0.8**	(0.3)
At end of the financial year		**35.7**	31.5

Trade and other receivables are stated at amortised cost less loss allowances. The fair value of these receivables approximates their carrying value as these are short term in nature; hence, the maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of sales and the corresponding historical credit loss experience. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors, including the GDP of the countries in which it sells its goods and services, that affect the ability of customers to settle receivables.

Before accepting any new customer, the Group uses a credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. These credit limits are reviewed regularly throughout the financial year. The Group does not typically require collateral in respect of trade receivables.

There is no significant concentration of credit risk or transaction currency risk with respect to trade receivables, as the Group has a large number of internationally dispersed customers. Further disclosures on currency risk are provided in note 24 to the financial statements.

20. Trade and other payables

	Group 2019 €'m	Group 2018 €'m	Company 2019 €'m	Company 2018 €'m
Trade payables	**1,376.9**	1,285.9	**15.7**	-
Other payables and accruals	**202.0**	177.6	**-**	0.5
Lease liabilities	**34.9**	-	**-**	-
Deferred payments on acquisition of businesses	**13.0**	10.1	**5.8**	5.8
PAYE	**9.1**	2.9	**-**	-
Social security costs	**7.1**	5.6	**-**	-
	1,643.0	1,482.1	**21.5**	6.3

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

21. Deferred income

	Note	Group 2019 €'m	Group 2018 €'m	Company 2019 €'m	Company 2018 €'m
Capital grants					
At beginning of the financial year		22.4	24.1	0.1	0.1
Grants received during the financial year		**3.2**	0.6	**-**	-
Amortised during the financial year	3	**(2.4)**	(2.3)	**-**	-
Disposal		**(0.2)**	(0.1)	**-**	-
Exchange translation adjustment		**0.1**	0.1	**-**	-
At end of the financial year		**23.1**	22.4	**0.1**	0.1
Analysed as:					
Current liabilities		**2.2**	1.2	**-**	-
Non-current liabilities		**20.9**	21.2	**0.1**	0.1
		23.1	22.4	**0.1**	0.1

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

22. Other non-current liabilities

	Group 2019 €'m	Group 2018 €'m	Company 2019 €'m	Company 2018 €'m
Other payables and accruals	**84.7**	82.6	**-**	-
Lease liabilities	**74.5**	-	**-**	-
Deferred payments on acquisition of businesses	**8.7**	-	**-**	-
	167.9	82.6	**-**	-

All of the above balances are due within 2 to 5 years except for **€17.3m** (2018: €0.2m) which is not due until after 5 years.

23. Analysis of financial instruments by category

The following table outlines the financial assets and liabilities held by the Group at the balance sheet date:

	Notes	Financial Assets/ (Liabilities) at Amortised Cost 2019 €'m	Assets/ (Liabilities) at Fair Value through Profit or Loss 2019 €'m	Derivatives Designated as Hedging Instruments 2019 €'m	Assets/ (Liabilities) at FVOCI 2019 €'m	Total 2019 €'m
Group:						
Financial asset investments	13	-	**37.4**	-	**4.3**	**41.7**
Forward foreign exchange contracts	24 (i.i)	-	-	**12.0**	-	**12.0**
Interest rate swaps	24 (ii.ii)	-	-	**128.4**	-	**128.4**
Trade and other receivables	19	**1,066.3**	-	-	-	**1,066.3**
Cash at bank and in hand	24 (iii.i)	**554.9**	-	-	-	**554.9**
Total financial assets		**1,621.2**	**37.4**	**140.4**	**4.3**	**1,803.3**
Current assets		**1,621.2**	-	**57.7**	-	**1,678.9**
Non-current assets		-	**37.4**	**82.7**	**4.3**	**124.4**
		1,621.2	**37.4**	**140.4**	**4.3**	**1,803.3**
Borrowings and overdrafts	24 (iii.i)	**(2,521.2)**	**(24.9)**	-	-	**(2,546.1)**
Forward foreign exchange contracts	24 (i.i)	-	-	**(12.1)**	-	**(12.1)**
Interest rate swaps	24 (ii.ii)	-	-	-	-	-
Trade and other payables	20/22	**(1,810.9)**	-	-	-	**(1,810.9)**
Total financial liabilities		**(4,332.1)**	**(24.9)**	**(12.1)**	-	**(4,369.1)**
Current liabilities		**(1,833.5)**	**(0.3)**	**(12.1)**	-	**(1,845.9)**
Non-current liabilities		**(2,498.6)**	**(24.6)**	-	-	**(2,523.2)**
		(4,332.1)	**(24.9)**	**(12.1)**	-	**(4,369.1)**
Total net financial (liabilities)/assets		**(2,710.9)**	**12.5**	**128.3**	**4.3**	**(2,565.8)**

Included in the above table are the following components of net debt:

Analysis of total net debt by category					
Bank overdrafts	**(5.2)**	-	-	-	**(5.2)**
Bank loans	**(1.2)**	-	-	-	**(1.2)**
Senior notes	**(2,514.8)**	**(24.9)**	-	-	**(2,539.7)**
Borrowings and overdrafts	**(2,521.2)**	**(24.9)**	-	-	**(2,546.1)**
Interest rate swaps	-	-	**128.4**	-	**128.4**
Cash at bank and in hand	**554.9**	-	-	-	**554.9**
Total net debt	**(1,966.3)**	**(24.9)**	**128.4**	-	**(1,862.8)**

All Group borrowings are guaranteed by Kerry Group plc. No assets of the Group have been pledged to secure the borrowings.

Part of the Group's debt portfolio includes US$750m of senior notes issued in 2013 and US$408m of senior notes issued in 2010. At the time of issuance, US$250m of the 2013 senior notes and US$500m of the 2010 US$600m senior notes were swapped, using cross currency swaps, to euro. US$192m of the 2010 senior notes were repaid in January 2017 and the related swaps matured at that date. In addition, the Group holds €750m of senior notes issued in 2015, of which €175m were swapped, using cross currency swaps, to US dollar. No interest rate derivatives were entered into for the September 2019 €750m senior notes issuance.

The adjustment to senior notes classified under liabilities at fair value through profit or loss of **€24.9m** (2018: €13.2m) represents the part adjustment to the carrying value of debt from applying fair value hedge accounting for interest rate risk. This amount is primarily offset by the fair value adjustment on the corresponding hedge items being the underlying cross currency interest rate swaps.

23. Analysis of financial instruments by category (continued)

	Notes	Financial Assets/ (Liabilities) at Amortised Cost 2018 €'m	Assets/ (Liabilities) at Fair Value through Profit or Loss 2018 €'m	Derivatives Designated as Hedging Instruments 2018 €'m	Assets/ (Liabilities) at FVOCI 2018 €'m	Total 2018 €'m
Group:						
Financial asset investments	13	-	30.0	-	5.3	35.3
Forward foreign exchange contracts	24 (i.i)	-	-	10.0	-	10.0
Interest rate swaps	24 (ii.ii)	-	-	101.7	-	101.7
Trade and other receivables	19	967.8	-	-	-	967.8
Cash at bank and in hand	24 (iii.i)	413.8	-	-	-	413.8
Total financial assets		1,381.6	30.0	111.7	5.3	1,528.6
Current assets		1,381.6	-	10.0	-	1,391.6
Non-current assets		-	30.0	101.7	5.3	137.0
		1,381.6	30.0	111.7	5.3	1,528.6
Borrowings and overdrafts	24 (iii.i)	(2,120.3)	(13.2)	-	-	(2,133.5)
Forward foreign exchange contracts	24 (i.i)	-	-	(11.1)	-	(11.1)
Interest rate swaps	24 (ii.ii)	-	-	(5.5)	-	(5.5)
Trade and other payables	20/22	(1,564.7)	-	-	-	(1,564.7)
Total financial liabilities		(3,685.0)	(13.2)	(16.6)	-	(3,714.8)
Current liabilities		(1,495.9)	-	(11.0)	-	(1,506.9)
Non-current liabilities		(2,189.1)	(13.2)	(5.6)	-	(2,207.9)
		(3,685.0)	(13.2)	(16.6)	-	(3,714.8)
Total net financial (liabilities)/assets		(2,303.4)	16.8	95.1	5.3	(2,186.2)

Included in the above table are the following components of net debt:

Analysis of total net debt by category					
Bank overdrafts	(9.9)	-	-	-	(9.9)
Bank loans	(355.4)	-	-	-	(355.4)
Senior notes	(1,755.0)	(13.2)	-	-	(1,768.2)
Borrowings and overdrafts	(2,120.3)	(13.2)	-	-	(2,133.5)
Interest rate swaps	-	-	96.2	-	96.2
Cash at bank and in hand	413.8	-	-	-	413.8
Total net debt	(1,706.5)	(13.2)	96.2	-	(1,623.5)

23. Analysis of financial instruments by category (continued)

The following table outlines the financial assets and liabilities held by the Company at the balance sheet date:

	Notes	2019 €'m	2018 €'m
Company:			
Financial assets at amortised cost			
Cash at bank and in hand		**-**	-
Trade and other receivables	19	**135.8**	94.1
Total financial assets - all current		**135.8**	94.1
Financial liabilities at amortised cost			
Borrowings and overdrafts		**-**	-
Trade and other payables	20	**(21.5)**	(6.3)
Total financial liabilities - all current		**(21.5)**	(6.3)
Total net financial assets		**114.3**	87.8

24. Financial instruments

Capital management

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

The capital structure of the Group consists of debt related financial liabilities, cash and cash equivalents, deferred payments on acquisitions of businesses and equity attributable to owners of the parent, comprising issued capital, reserves and retained earnings as disclosed in the Consolidated Statement of Changes in Equity, as represented in the table below:

	Notes	2019 €'m	2018 €'m
Issued capital and reserves attributable to owners of the parent		**4,562.2**	4,034.4
Total net debt	23	**1,862.8**	1,623.5
Deferred payments on acquisition of businesses	20/22	**21.7**	10.1
		6,446.7	5,668.0

In June 2019, the Group completed a five year €1.1bn revolving credit facility which matures in June 2024 and replaced the existing facility that was due to mature in April 2022. The facility contains two extension options exercisable on the 1st and 2nd anniversaries of the facility and which, if exercised, will extend the maturity date of the facility to June 2026. In keeping with the Group's commitment to ESG, the facility incorporates a price adjustment mechanism which is linked to the Group meeting or exceeding its carbon, water and waste efficiency metrics.

In September 2019, the Group issued €750m senior notes carrying an annual coupon of 0.625%. These notes are rated by S&P and Moody's and are listed on Euronext Dublin. The proceeds of the issuance were used primarily to repay existing debt and for general corporate purposes.

The senior notes issued by the Group in 2013, 2015 and 2019 are rated by S&P and Moody's.

Capital is managed by setting net debt to earnings before finance income and costs, income taxes, depreciation (net), intangible asset amortisation and non-trading items (EBITDA) targets while allowing flexibility to accommodate significant acquisition opportunities. Any expected variation from these targets should be reversible within 18 to 24 months; otherwise consideration would be given to issuing additional equity in the Group.

24. Financial instruments (continued)

Capital management (continued)

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

The senior notes of $408m issued in 2010 remain outstanding and this series of notes carry financial covenants calculated in accordance with the Note Purchase Agreement. The principal financial covenants are:
- the ratio of Net debt to EBITDA of a maximum of 3.5 times; and
- EBITDA to Net interest charge of a minimum of 4.75 times.

At 31 December these ratios were as follows:

	2019 Times	2018 Times
Net debt: EBITDA*	**1.8**	1.7
EBITDA: Net interest*	**13.2**	14.7

* Calculated in accordance with lenders' facility agreements which take account of adjustments as outlined on page 218.

No other financial arrangements carry financial covenants.

Financial risk management objectives

The Group has a clearly defined Financial Risk Management Programme, which is approved by the Board of Directors and is subject to regular monitoring by the Finance Committee and Group Internal Audit. The Group operates a centralised treasury function, which manages the principal financial risks of the Group and Company.

The principal objectives of the Group's Financial Risk Management Programme are:
- to manage the Group's exposure to foreign exchange rate risk;
- to manage the Group's exposure to interest rate risk;
- to ensure that the Group has sufficient credit facilities available to manage liquidity risk; and
- to ensure that counterparty credit risk is monitored and managed.

Residual exposures not managed commercially are hedged using approved financial instruments. The use of financial derivatives is governed by the Group's policies and procedures. The Group does not engage in speculative trading.

The principal objectives of the Group's Financial Risk Management Programme are further discussed across the following categories:
(i) Foreign exchange rate risk management - key foreign exchange exposure of the Group and the disclosures on forward foreign exchange contracts.
(ii) Interest rate risk management - key interest rate exposures of the Group and the disclosures on interest rate derivatives.
(iii) Liquidity risk management - key banking facilities available to the Group and the maturity profile of the Group's debt.
(iv) Credit risk management - details in relation to the management of credit risk within the Group.
(v) Price risk management - key price risk exposures of the Group.
(vi) Fair value of financial instruments - disclosures in relation to the fair value of financial instruments.
(vii) Offsetting financial instruments - disclosures in relation to the potential offsetting values in financial instruments.

(i) Foreign exchange rate risk management

The Group is exposed to transactional foreign currency risk on trading activities conducted by subsidiaries in currencies other than their functional currency. Group policy is to manage foreign currency exposures commercially and through netting of exposures wherever possible. Any residual exposures arising on foreign exchange transactions are hedged in accordance with Group policy using approved financial instruments, which consist primarily of spot and forward exchange contracts and currency swaps.

As at 31 December, the Group had an exposure to a USA dollar liability of **€26.4m** (2018: €12.3m) and a sterling asset of **€11.7m** (2018: €4.8m). Based on these net positions, as at 31 December 2019, a weakening of 5% of the US dollar and sterling against all other key operational currencies, and holding all other items constant, would have increased the profit after taxation of the Group for the financial year by €0.7m (2018: €0.4m).

The Group's gain or loss on the retranslation of the net assets of foreign currency subsidiaries is taken directly to the translation reserve. As at 31 December 2019 a 5% strengthening of the euro against the US dollar and sterling, holding all other items constant, would have resulted in an additional translation reserve loss of **€21.7m** (2018: €21.5m) and **€23.0m** (2018: €21.7m), respectively.

(i.i) Forward foreign exchange contracts

The Group's activities expose it to risks of changes in foreign currency exchange rates in relation to international trading, primarily sales in US dollar and sterling out of the Eurozone and sales and purchases in US dollar in APMEA. The Group uses forward foreign exchange contracts to hedge these exposures. All such exposures are highly probable. Derivative financial instruments are held in the Consolidated Balance Sheet at their fair value.

24. Financial instruments (continued)

Financial risk management objectives (continued)

(i) Foreign exchange rate risk management (continued)

(i.i) Forward foreign exchange contracts (continued)

The following table details the portfolio of forward foreign exchange contracts* at the balance sheet date:

	Note	**2019 €'m Asset**	**2019 €'m Liability**	**2019 €'m Total**	2018 €'m Asset	2018 €'m Liability	2018 €'m Total
Designated in a hedging relationship:							
Forward foreign exchange contracts - cash flow hedges	(a)	**12.0**	**(12.1)**	**(0.1)**	10.0	(11.1)	(1.1)
- current [1]		**12.0**	**(12.1)**	**(0.1)**	10.0	(11.0)	(1.0)
- non-current [2]		**-**	**-**	**-**	-	(0.1)	(0.1)
Forward foreign exchange contracts		**12.0**	**(12.1)**	**(0.1)**	10.0	(11.1)	(1.1)

* Location of line item in the Consolidated Balance Sheet
[1] Other current financial instruments
[2] Other non-current financial instruments

The full fair value of a hedging derivative is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than twelve months and as a current asset or liability if the maturity of the hedged item is less than twelve months.

The Group adopted the hedge accounting requirements of IFRS 9 'Financial Instruments'. The Group enters into hedge relationships when there is an economic relationship between the underlying highly probable forecasted transactions (hedged item) and the forward foreign exchange contracts (hedged instruments). As the critical terms match for the prospective assessment of effectiveness, a qualitative assessment is performed. The Group has established a 1:1 hedge ratio as the underlying risks in the forward foreign currency exchange contract are identical to the hedged risk components. Hedge effectiveness is determined at the origination of the hedging relationship. In instances where changes occur to the hedged item which result in the critical terms no longer matching, the Group uses the hypothetical derivative method to assess effectiveness.

The Group does not hold any forward foreign exchange contracts classified as fair value hedges.

The following table details the foreign exchange contracts classified as cash flow hedges at 31 December:

	Fair Value Liability		**Notional Principal**	
	2019 €'m	2018 €'m	**2019 €'m**	2018 €'m
Forward foreign exchange contracts				
less than 1 year	**(0.1)**	(1.0)	**1,735.7**	2,005.7
1 - 2 years	**-**	(0.1)	**19.8**	25.9
Forward foreign exchange contracts - cash flow hedges	**(0.1)**	(1.1)	**1,755.5**	2,031.6

The following table details the impact of forward foreign exchange contracts - cash flow hedges on the Consolidated Balance Sheet as at 31 December:

	2019 €'m	2018 €'m
Forward foreign exchange contracts - cash flow hedges	**(0.1)**	(1.1)
Retained earnings and other reserves:		
Cash flow hedging reserve	**(1.6)**	(3.4)
Amount reclassified from OCI to profit or loss	**1.7**	4.5
	0.1	1.1

The fair value included in the hedging reserve will primarily be released to the Consolidated Income Statement within **6 months** (2018: 6 months) of the balance sheet date. All forward contracts relate to sales revenue and purchases made in their respective currencies and forward foreign exchange contracts that provide a hedge against foreign currency receivables from 'within Group' lending.

24. Financial instruments (continued)

Financial risk management objectives (continued)

(i) Foreign exchange rate risk management (continued)

(i.i) Forward foreign exchange contracts (continued)

The following table details the impact of forward foreign exchange contracts* - cash flow hedges on the Consolidated Income Statement and Consolidated Statement of Comprehensive Income during the financial year:

	2019 €'m	2018 €'m
Movements recognised in the Consolidated Statement of Comprehensive Income		
Total hedging gain recognised in OCI in the financial year	**(2.4)**	2.7
Amount reclassified from OCI to profit or loss	**0.6**	(2.1)
	(1.8)	0.6
Movements recognised in the Consolidated Income Statement		
Income reclassified from OCI to profit or loss [1]	**(0.6)**	2.1
Ineffectiveness recognised in profit or loss [1]	**-**	-
	(0.6)	2.1

* Location of line item in the Consolidated Income Statement
[1] Other general overheads

There were no transactions during 2019 or 2018 which were designated as hedges that did not occur, nor are there hedges on forecast transactions that are no longer expected to occur.

(ii) Interest rate risk management

The Group is exposed to interest rate risk as the Group holds borrowings on both a fixed and floating basis. This exposure to interest rate risk is managed by optimising the mix of fixed and floating rate borrowings and by using interest rate swaps, cross currency swaps and forward rate agreements to hedge these exposures, in accordance with Group policy as approved by the Board of Directors. The Group reviews the mix of fixed and floating rate borrowings on an ongoing basis and adjusts where necessary to comply with Group policy. Derivative financial instruments are held in the Consolidated Balance Sheet at their fair value.

(ii.i) Interest rate profile of financial liabilities excluding related derivatives fair value

The Group's exposure to interest rates on financial assets and liabilities are detailed in the table below including the impact of cross currency swaps (CCS) on the currency profile of net debt:

	Total Pre CCS €'m	Impact of CCS €'m	Total after CCS €'m	Floating Rate Debt €'m	Fixed Rate Debt €'m
Euro	**(1,286.0)**	**(411.0)**	**(1,697.0)**	**(149.3)**	**(1,547.7)**
Sterling	**77.9**	**-**	**77.9**	**77.9**	**-**
US Dollar	**(887.4)**	**411.0**	**(476.4)**	**(253.7)**	**(222.7)**
Others	**129.2**	**-**	**129.2**	**129.2**	**-**
At 31 December 2019	**(1,966.3)**	**-**	**(1,966.3)**	**(195.9)**	**(1,770.4)**
Euro	(1,016.2)	(399.8)	(1,416.0)	(622.6)	(793.4)
Sterling	51.0	-	51.0	51.0	-
US Dollar	(805.5)	399.8	(405.7)	(187.3)	(218.4)
Others	64.2	-	64.2	64.2	-
At 31 December 2018	(1,706.5)	-	(1,706.5)	(694.7)	(1,011.8)

The currency profile of debt highlights the impact of the **US$658m** (2018: US$658m) of cross currency swaps entered into at the time of issuance of senior notes. For the 2013 senior notes, US$250m were swapped from US dollar fixed to euro fixed and are accounted for as cash flow hedges. For the 2010 senior notes, US$408m were swapped from US dollar fixed to euro floating and are accounted for as fair value hedges. The retranslation of the foreign currency debt of **US$658m** (2018: US$658m) to the balance sheet rate resulted in a foreign currency loss of **€116.3m** (2018: €105.1m) which is directly offset by a gain of **€116.3m** (2018: €105.1m) on the application of hedge accounting on the cross currency swaps.

24. Financial instruments (continued)

Financial risk management objectives (continued)

(ii) Interest rate risk management (continued)

(ii.i) Interest rate profile of financial liabilities excluding related derivatives fair value (continued)

In addition, the Group holds €750m of senior notes issued in 2015, of which €175m were swapped, using cross currency swaps, from euro fixed to US dollar floating and are accounted for as fair value hedges of the related debt. The fair value of the related derivative includes an asset of **€1.5m** (2018: €4.8m) for movement in exchange rates since the date of execution which is directly offset by a loss of **€1.5m** (2018: €4.8m) on the application of hedge accounting on the cross currency swaps.

The floating rate financial liabilities are at rates which fluctuate mainly based upon LIBOR or EURIBOR and comprise of bank borrowings and other financial liabilities bearing interest rates fixed in advance for periods ranging from 1 to 6 months. At the financial year end **10%** (2018: 41%) of net debt and **30%** (2018: 52%) of gross debt was held at floating rates. If the interest rates applicable to floating rate net debt were to rise by 1% holding all other items constant, the profit of the Group before taxation and non-trading items in the Consolidated Income Statement could decrease by 1% (2018: 1%).

(ii.ii) Interest rate swap contracts

The Group's activities expose it to risks of changes in interest rates in relation to long term debt. The Group uses interest rate swaps, cross currency swaps and forward rate agreements to hedge these exposures. Derivative financial instruments are held in the Consolidated Balance Sheet at their fair values.

The Group adopts an 'exit price' approach to valuing interest rate derivatives to allow for credit risk.

The following table details the portfolio of interest rate derivative contracts* at the balance sheet date:

	Notes	**2019 €'m Asset**	**2019 €'m Liability**	**2019 €'m Total**	2018 €'m Asset	2018 €'m Liability	2018 €'m Total
Designated in a hedging relationship:							
Interest rate swap contracts - cash flow hedges	(a)	**18.4**	**-**	**18.4**	5.2	-	5.2
- non-current [2]		**18.4**	**-**	**18.4**	5.2	-	5.2
Interest rate swap contracts - fair value hedges	(b)	**110.0**	**-**	**110.0**	96.5	(5.5)	91.0
- current [1]		**45.7**	**-**	**45.7**	-	-	-
- non-current [2]		**64.3**	**-**	**64.3**	96.5	(5.5)	91.0
Interest rate swap contracts		**128.4**	**-**	**128.4**	101.7	(5.5)	96.2

* Location of line item in the Consolidated Balance Sheet
[1] Other current financial instruments
[2] Other non-current financial instruments

The Group adopted the hedge accounting requirements of IFRS 9 'Financial Instruments'. The Group enters into hedge relationships when there is an economic relationship between the identified notional amount of the underlying debt instrument (hedged item) and the interest rate swap contract (hedged instrument).

Interest rate swap

As the critical terms match for the prospective assessment of effectiveness, a qualitative assessment is performed. The Group has established a 1:1 hedge ratio as the underlying risks in the interest rate swap contracts are identical to the hedged risk components. Hedge effectiveness is determined at the origination of the hedging relationship. In instances where changes occur to the hedged item which result in the critical terms no longer matching, the Group uses the hypothetical derivative method to assess effectiveness. Hedge ineffectiveness may occur due to the credit/debit value adjustment on the interest rate swaps which is not matched by the loan.

Cross currency interest rate swap

The Group uses the hypothetical derivative method to assess effectiveness for such swaps as while the critical terms match, both qualitative and quantitative assessments are required to be performed as there remains characteristics in cross currency interest rate swap contracts that are not present in the hedged item, being basis risks. The Group has established a 1:1 hedge ratio as the underlying risks in the cross currency interest rate swap contracts are identical to the hedged risk components. Hedge effectiveness is determined at the origination of the hedging relationship and at each reporting date.

The full fair value of a hedging derivative is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than twelve months and as a current asset or liability if the maturity of the hedged item is less than twelve months. The classification of the maturity profile of the interest rate derivative contracts are set out in the following tables (a) and (b).

24. Financial instruments (continued)

Financial risk management objectives (continued)

(ii) Interest rate risk management (continued)

(ii.ii) Interest rate swap contracts (continued)

(a) Interest rate swap contracts - cash flow hedges

Under interest rate swap contracts, including cross currency interest rate swaps, the Group agrees to exchange the difference between the fixed and floating rate interest amounts calculated on the agreed notional principal amounts.

The following table details the notional principal amounts and remaining terms of the cash flow hedges, where the Group receives a floating or a fixed interest rate and pays fixed interest rate on swaps as at 31 December:

	Average Contracted Fixed Interest Rate		Fair Value Asset		Notional Principal	
	2019 %	2018 %	**2019 €'m**	2018 €'m	**2019 €'m**	2018 €'m
Interest rate swap contracts						
2 - 5 years	**2.58**	2.58	**18.4**	5.2	**222.7**	218.4
Interest rate swap contracts - cash flow hedges			**18.4**	5.2	**222.7**	218.4

The following table details the impact of interest rate swap contracts* - cash flow hedges on the Consolidated Balance Sheet as at 31 December:

	2019 €'m	2018 €'m
Interest rate swap contracts - cash flow hedges	**18.4**	5.2
Fixed rate borrowings:		
Amount reclassified from hedge reserve to profit or loss re: foreign exchange rate fluctuations[1]	**(27.2)**	(23.0)
Retained earnings and other reserves:		
Cash flow hedging reserve	**9.8**	18.9
Cost of hedging reserve	**(1.4)**	(1.6)
Accumulated hedge ineffectiveness	**0.4**	0.5
	(18.4)	(5.2)

* Location of line item in the Consolidated Balance Sheet

[1] Borrowings & overdrafts

The following table details the impact of interest rate swap contracts - cash flow hedges on the Consolidated Statement of Comprehensive Income during the financial year:

	2019 €'m	2018 €'m
Total hedging (loss)/gain recognised in cash flow hedging reserve	**(4.3)**	10.3
Total hedging gain/(loss) recognised in cost of hedging reserve	**0.2**	(1.6)
Amount reclassified from hedge reserve to profit or loss re: foreign exchange rate fluctuations	**(4.2)**	(9.8)
Amount reclassified from OCI to profit or loss re: interest rate fluctuations	**(0.5)**	(0.4)
Ineffectiveness recognised in profit or loss	**(0.1)**	0.8
Net impact	**(8.9)**	(0.7)

24. Financial instruments (continued)

Financial risk management objectives (continued)

(ii) Interest rate risk management (continued)

(ii.ii) Interest rate swap contracts (continued)

(a) Interest rate swap contracts - cash flow hedges (continued)

The following table details the income/(expense) impact of interest rate swap contracts* - cash flow hedges and the hedged item on the Consolidated Income Statement during the financial year:

	2019 €'m	2018 €'m
Interest rate swap contracts - cash flow hedges:		
Foreign exchange rate fluctuations [1]	**4.2**	9.8
Amount reclassified from OCI to profit or loss re: interest rate fluctuations [2]	**0.5**	0.4
Ineffectiveness recognised in profit or loss [2]	**0.1**	(0.8)
Fixed rate borrowings:		
Foreign exchange rate fluctuations [1]	**(4.2)**	(9.8)
Net impact	**0.6**	(0.4)

* Location of line item in the Consolidated Income Statement
[1] Other general overheads
[2] Finance costs

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

(b) Interest rate swap contracts - fair value hedges

Under interest rate swap contracts including cross currency interest rate swaps, the Group agrees to exchange the difference between the floating and fixed interest amounts calculated on the agreed notional principal amounts.

The following table details the notional principal amounts and remaining terms of the fair value hedges, where the Group receives a fixed interest rate and pays a floating interest rate on swaps as at 31 December:

	Average Contracted Fixed Interest Rate		Fair Value Asset		Notional Principal	
	2019 %	2018 %	2019 €'m	2018 €'m	2019 €'m	2018 €'m
Interest rate swap contracts						
less than 1 year	**4.8**	-	**45.7**	-	**185.3**	-
1 - 2 years	**-**	4.8	**-**	42.8	**-**	181.7
2 - 5 years	**3.8**	3.8	**33.6**	22.8	**334.0**	327.6
> 5 years	**3.1**	3.1	**30.7**	25.4	**241.8**	240.5
Interest rate swap contracts - fair value hedges			**110.0**	91.0	**761.1**	749.8

The interest rate swaps settle on a 6 monthly or annual basis. The floating interest rate paid by the Group is based on 6 month EURIBOR or LIBOR. All hedges are highly effective on a prospective and retrospective basis.

24. Financial instruments (continued)

Financial risk management objectives (continued)

(ii) Interest rate risk management (continued)

(ii.ii) Interest rate swap contracts (continued)

(b) Interest rate swap contracts - fair value hedges (continued)

The following table details the impact of interest rate swap contracts* - fair value hedges and the hedged items on the Consolidated Balance Sheet as at 31 December:

	2019 €'m	2018 €'m
Interest rate swap contracts - fair value hedges	**110.0**	91.0
Fixed rate borrowings:		
Foreign exchange rate fluctuations [1]	**(89.1)**	(82.1)
Interest rate movements [1]	**(24.9)**	(13.2)
Receivables:		
Foreign exchange rate fluctuations [2]	**(1.5)**	(4.8)
Retained earnings and other reserves:		
Hedge ineffectiveness	**2.7**	5.5
Cost of hedging reserve	**2.8**	3.6
	(110.0)	(91.0)

* Location of line item in the Consolidated Balance Sheet
1 Borrowings and overdrafts
2 Receivables: €175m of the 2015 senior notes issuance were swapped from Euro to US dollars and subsequently on-lent from a Euro entity to a US dollar entity

The following table details the impact of interest rate swap contracts - fair value hedges on the Consolidated Statement of Comprehensive Income during the financial year:

	2019 €'m	2018 €'m
Amounts recognised in the cost of hedging reserve	**(0.8)**	3.6

The following table details the income/(expense) impact of interest rate swap contracts*/** - fair value hedges and the hedged items on the Consolidated Income Statement during the financial year:

	2019 €'m	2018 €'m
Interest rate swap contracts - fair value hedges:		
Foreign exchange rate fluctuations [1]	**3.7**	8.4
Interest rate movements [2]	**11.7**	(6.8)
Ineffectiveness recognised in profit or loss [2]	**2.8**	1.0
Fixed rate borrowings:		
Foreign exchange rate fluctuations [1]	**(7.0)**	(16.0)
Interest rate movements [2]	**(11.7)**	6.8
Receivables:		
Foreign exchange rate fluctuations [3]	**3.3**	7.6
Net impact	**2.8**	1.0

* Location of line item in the Consolidated Income Statement
** Location of line item in the Consolidated Balance Sheet
1 Other general overheads
2 Finance costs
3 Receivables: €175m of the 2015 senior notes issuance were swapped from Euro to US dollars and subsequently on-lent from a Euro entity to a US dollar entity within the Group

24. Financial instruments (continued)

Financial risk management objectives (continued)

(iii) Liquidity risk management

Liquidity risk considers the risk that the Group could encounter difficulties in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. There is no significant concentration of liquidity risk.

Group funding and liquidity is managed by ensuring that sufficient facilities are available from diverse funding sources with an appropriate spread of debt maturities to match the underlying assets. The Group uses cash flow forecasts to constantly monitor the funding requirements of the Group.

Group businesses are funded from cash generated from operations, borrowings from banks and senior notes from capital markets. It is Group policy to ensure that:

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

Both targets were met at 31 December 2019 and 2018.

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

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

At 31 December 2019, the Group had undrawn committed bank facilities of **€1,100m** (2018: €750m), and a portfolio of undrawn standby facilities amounting to **€330m** (2018: €320m). The undrawn committed facilities comprise primarily of a revolving credit facility maturing between **4 - 5 years** (2018: between 3 - 4 years).

(iii.i) Contractual maturity profile of non-derivative financial instruments

The following table details the Group's remaining contractual maturity of its non-derivative financial instruments excluding trade and other payables (note 20) and other non-current liabilities (note 22), of which **€1,630.0m** (2018: €1,472.0m) is payable within 1 year, **€147.9m** (2018: €82.4m) between 2 and 5 years and **€11.3m** (2018: €0.2m) is payable after 5 years. The balances include the impact of lease liabilities in 2019. This information has been drawn up based on the undiscounted cash flows of financial liabilities to the earliest date on which the Group can be required to repay. The analysis includes both interest commitments and principal cash flows. To the extent that interest rates are floating, the rate used is derived from interest rate yield curves at the end of the reporting date and as such, are subject to change based on market movements.

	On demand & up to 1 year €'m	Up to 2 years €'m	2 - 5 years €'m	> 5 years €'m	Total €'m
Bank overdrafts	(5.2)	-	-	-	(5.2)
Bank loans	-	(1.2)	-	-	(1.2)
Senior notes	(185.3)	-	(777.6)	(1,551.9)	(2,514.8)
Borrowings and overdrafts	(190.5)	(1.2)	(777.6)	(1,551.9)	(2,521.2)
Deferred payments on acquisition of businesses	(13.0)	(2.7)	(6.0)	-	(21.7)
	(203.5)	(3.9)	(783.6)	(1,551.9)	(2,542.9)
Interest commitments	(53.2)	(52.8)	(105.2)	(34.6)	(245.8)
At 31 December 2019	(256.7)	(56.7)	(888.8)	(1,586.5)	(2,788.7)
Reconciliation to net debt position:					
Borrowings and overdrafts	(190.5)	(1.2)	(777.6)	(1,551.9)	(2,521.2)
Senior notes - fair value adjustment	(0.3)	-	(7.0)	(17.6)	(24.9)
Borrowings - reported	(190.8)	(1.2)	(784.6)	(1,569.5)	(2,546.1)
Interest rate swaps	45.7	-	52.0	30.7	128.4
Cash at bank and in hand	554.9	-	-	-	554.9
Total net debt as at 31 December 2019	409.8	(1.2)	(732.6)	(1,538.8)	(1,862.8)

24. Financial instruments (continued)

Financial risk management objectives (continued)

(iii) Liquidity risk management (continued)

(iii.i) Contractual maturity profile of non-derivative financial instruments (continued)

	On demand & up to 1 year €'m	Up to 2 years €'m	2 - 5 years €'m	> 5 years €'m	Total €'m
Bank overdrafts	(9.9)	-	-	-	(9.9)
Bank loans	(3.9)	(1.5)	(350.0)	-	(355.4)
Senior notes	-	(181.7)	(762.1)	(811.2)	(1,755.0)
Borrowings and overdrafts	(13.8)	(183.2)	(1,112.1)	(811.2)	(2,120.3)
Deferred payments on acquisition of businesses	(10.1)	-	-	-	(10.1)
	(23.9)	(183.2)	(1,112.1)	(811.2)	(2,130.4)
Interest commitments	(56.6)	(48.8)	(118.1)	(33.6)	(257.1)
At 31 December 2018	(80.5)	(232.0)	(1,230.2)	(844.8)	(2,387.5)
Reconciliation to net debt position:					
Borrowings and overdrafts	(13.8)	(183.2)	(1,112.1)	(811.2)	(2,120.3)
Senior notes - fair value adjustment	-	(1.8)	1.3	(12.7)	(13.2)
Borrowings - reported	(13.8)	(185.0)	(1,110.8)	(823.9)	(2,133.5)
Interest rate swaps	-	42.8	28.0	25.4	96.2
Cash at bank and in hand	413.8	-	-	-	413.8
Total net debt as at 31 December 2018	400.0	(142.2)	(1,082.8)	(798.5)	(1,623.5)

(iii.ii) Contractual maturity profile of derivative financial instruments

The following table details the Group's remaining contractual maturity of its derivative financial instruments. The table has been drawn up based on the undiscounted net cash inflows and outflows on derivative instruments that settle on a net basis. To the extent that the amounts payable or receivable are not fixed, the rate used is derived from interest rate yield curves at the end of the reporting date and as such are subject to change based on market movements.

	On demand & up to 1 year €'m	**Up to 2 years €'m**	**2 - 5 years €'m**	**> 5 years €'m**	**Total €'m**
Interest rate swaps inflow	**73.2**	**27.3**	**98.9**	**18.0**	**217.4**
Interest rate swaps outflow	**(20.0)**	**(19.2)**	**(40.9)**	**-**	**(80.1)**
Net interest rate swaps inflow	**53.2**	**8.1**	**58.0**	**18.0**	**137.3**
Forward foreign exchange contracts outflow	**(0.1)**	**-**	**-**	**-**	**(0.1)**
At 31 December 2019	**53.1**	**8.1**	**58.0**	**18.0**	**137.2**

	On demand & up to 1 year €'m	Up to 2 years €'m	2 - 5 years €'m	> 5 years €'m	Total €'m
Interest rate swaps inflow	35.6	69.2	108.1	26.3	239.2
Interest rate swaps outflow	(24.9)	(23.0)	(56.6)	(6.3)	(110.8)
Net interest rate swaps inflow	10.7	46.2	51.5	20.0	128.4
Forward foreign exchange contracts inflow	(1.0)	(0.1)	-	-	(1.1)
At 31 December 2018	9.7	46.1	51.5	20.0	127.3

24. Financial instruments (continued)

Financial risk management objectives (continued)

(iii) Liquidity risk management (continued)

(iii.ii) Contractual maturity profile of derivative financial instruments (continued)

Included in the interest rate swaps inflow and outflow is the foreign currency differential on final maturity of the cross currency interest rate swaps as follows:

Swaps inflow

- Up to 1 year - swaps inflow of **€45.4m** (2018: €nil)
- 1 - 2 years - swaps inflow of **€nil** (2018: €41.9m)
- 2 - 5 years - swaps inflow of **€54.6m** (2018: €48.1m)
- Greater than 5 years - swaps inflow of **€17.8m** (2018: €19.9m)

(iii.iii) Summary of borrowing arrangements

(a) Bank loans

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

- Demand facilities;
- Syndicate revolving credit facilities of €1.1bn maturing June 2024; and
- Bilateral term loans with maturities ranging up to 1 year.

(b) 2019 Euro senior note - public

The Group issued a 10 year euro note of €750m at an interest rate of 0.625% with a maturity date on 20 September 2029.

(c) 2015 Euro senior note - public

The Group issued a debut 10 year euro note of €750m at an interest rate of 2.375% with a maturity date on 10 September 2025.

(d) 2013 US dollar senior note - public

The Group issued a debut 10 year USA public note of US$750m at an interest rate of 3.2% with a maturity date on 9 April 2023.

(e) 2010 Senior notes - private

The Group placed US$600m of senior notes with USA institutional investors in four tranches with maturity as follows:

- Tranche A of US$192m - matured and repaid on 20 January 2017
- Tranche B of US$208m - maturing on 20 January 2020
- Tranche C of US$125m - maturing on 20 January 2022
- Tranche D of US$75m - maturing on 20 January 2025

The interest rates listed above are before the effects of related interest rate swaps.

The 2010 senior notes have financial covenants attached to them. The Group was in full compliance with these covenants for the financial years 2019 and 2018.

(iv) Credit risk management

Cash deposits and other financial assets give rise to credit risk on the amounts due from counterparties.

The Group controls and monitors the distribution of this exposure by ensuring that all financial instruments are held with reputable and financially secure institutions and that exposure to credit risk is distributed across a number of institutions. At 31 December 2019 and 2018 all cash, short-term deposits and other liquid investments had a maturity of less than 3 months.

Credit risk exposure to financial institutions is actively managed across the portfolio of institutions by setting appropriate credit exposure limits based on a value at risk calculation that takes EBITDA of the Group and calculates approved tolerance levels based on credit default swap rates for the financial institutions. These levels are applied in controlling the level of material surplus funds that are placed with counterparties and for controlling the institutions with which the Group enters into derivative contracts. Credit default swaps for those financial institutions are as published by independent credit rating agencies and are updated and reviewed on an ongoing basis.

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

Trade receivables consist of a large number of customers, spread across diverse geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable at operating unit level at least on a monthly basis.

The Group's maximum exposure to credit risk consists of gross trade receivables (note 19), cash deposits (note 23) and other financial assets (note 23), which are primarily interest rate swaps and foreign exchange contracts.

In relation to credit risk on derivative financial instruments, where appropriate, the Group credit risk is actively managed across the portfolio of institutions through monitoring the credit default swaps (CDS) and setting appropriate credit exposure limits based on CDS levels. These levels are applied in controlling the level of material surplus funds that are placed with counterparties and for controlling institutions with which the Group enters into derivative contracts.

24. Financial instruments (continued)

Financial risk management objectives (continued)

(v) Price risk management

The Group's exposure to equity securities price risk, due to financial asset investments held, is considered to be low as the level of securities held versus the Group's net assets is not material.

(vi) Fair value of financial instruments

(a) Fair value of financial instruments carried at fair value

Financial instruments recognised at fair value are analysed between those based on:

- quoted prices in active markets for identical assets or liabilities (Level 1);
- those involving inputs other than quoted prices included in Level 1 that are observable for the assets or liabilities, either directly (as prices) or indirectly (derived from prices) (Level 2); and
- those involving inputs for the assets or liabilities that are not based on observable market data (unobservable inputs) (Level 3).

		Fair Value Hierarchy	2019 €'m	2018 €'m
Financial assets				
Interest rate swaps:	Non-current	Level 2	**82.7**	101.7
	Current	Level 2	**45.7**	-
Forward foreign exchange contracts:	Current	Level 2	**12.0**	10.0
Financial asset investments:	Fair value through profit or loss	Level 1	**37.4**	30.0
	Fair value through other comprehensive income	Level 3	**4.3**	5.3
Financial liabilities				
Interest rate swaps:	Non-current	Level 2	**-**	(5.5)
Forward foreign exchange contracts:	Non-current	Level 2	**-**	(0.1)
	Current	Level 2	**(12.1)**	(11.0)

The reconciliation of Level 3 assets is provided in note 13. There have been no transfers between levels during the current or prior financial year.

(b) Fair value of financial instruments carried at amortised cost

Except as detailed in the following table, it is considered that the carrying amounts of financial assets and financial liabilities recognised at amortised cost in the financial statements approximate their fair values.

	Fair Value Hierarchy	Carrying Amount 2019 €'m	Fair Value 2019 €'m	Carrying Amount 2018 €'m	Fair Value 2018 €'m
Financial liabilities					
Senior notes - Public	Level 2	**(2,151.4)**	**(2,217.1)**	(1,398.6)	(1,377.0)
Senior notes - Private	Level 2	**(363.4)**	**(372.9)**	(356.4)	(358.8)
		(2,514.8)	**(2,590.0)**	(1,755.0)	(1,735.8)

(c) Valuation principles

The fair value of financial assets and liabilities are determined as follows:

- assets and liabilities with standard terms and conditions which are traded on active liquid markets are determined with reference to quoted market prices. This includes equity investments;
- other financial assets and liabilities (excluding derivatives) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments. This includes interest rate swaps and forward foreign exchange contracts which are determined by discounting the estimated future cash flows;
- the fair values of financial instruments that are not based on observable market data (unobservable inputs) requires entity specific valuation techniques. Disclosures are set out in note 13; and
- derivative financial instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments. Forward foreign exchange contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates adjusted for counterparty credit risk, which is calculated based on credit default swaps of the respective counterparties. Interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates adjusted for counterparty credit risk, which is calculated based on credit default swaps of the respective counterparties.

24. Financial instruments (continued)

Financial risk management objectives (continued)

(vii) Offsetting financial instruments

The Group enters into derivative transactions under International Swaps and Derivatives Association (ISDA) master netting agreements. The ISDA agreements do not meet the criteria for offsetting in the Consolidated Balance Sheet. This is because the Group does not have any current legally enforceable right to offset recognised amounts, because the right to offset is enforceable only on the occurrence of future events such as a default on the bank loans or other credit events. No collateral is paid or received.

The following table sets out the carrying amounts of recognised financial instruments that are subject to the above agreements.

The table also sets out where the Group has offset bank overdrafts against cash at bank and in hand based on a legal right of offset as set out in the banking agreements.

	Gross amounts of financial assets in the Consolidated Balance Sheet €'m	Gross amounts of financial liabilities in the Consolidated Balance Sheet €'m	Amounts of financial instruments presented in the Consolidated Balance Sheet €'m	Related financial instruments that are not offset €'m	Net amount €'m
At 31 December 2019					
Financial assets					
Cash at bank and in hand	**554.9**	**-**	**554.9**	**-**	**554.9**
Forward foreign exchange contracts	**12.0**	**-**	**12.0**	**(8.3)**	**3.7**
Interest rate swaps	**128.4**	**-**	**128.4**	**-**	**128.4**
	695.3	**-**	**695.3**	**(8.3)**	**687.0**
Financial liabilities					
Bank overdrafts	**-**	**(5.2)**	**(5.2)**	**-**	**(5.2)**
Forward foreign exchange contracts	**-**	**(12.1)**	**(12.1)**	**8.3**	**(3.8)**
Interest rate swaps	**-**	**-**	**-**	**-**	**-**
	-	**(17.3)**	**(17.3)**	**8.3**	**(9.0)**
At 31 December 2018					
Financial assets					
Cash at bank and in hand	413.8	-	413.8	-	413.8
Forward foreign exchange contracts	10.0	-	10.0	(8.5)	1.5
Interest rate swaps	101.7	-	101.7	(5.5)	96.2
	525.5	-	525.5	(14.0)	511.5
Financial liabilities					
Bank overdrafts	-	(9.9)	(9.9)	-	(9.9)
Forward foreign exchange contracts	-	(11.1)	(11.1)	8.5	(2.6)
Interest rate swaps	-	(5.5)	(5.5)	5.5	-
	-	(26.5)	(26.5)	14.0	(12.5)

25. Provisions

	Insurance €'m	Non-Trading Items €'m	Total €'m
Group:			
At 1 January 2018	51.3	11.1	62.4
(Released)/provided during the financial year	(0.4)	1.5	1.1
Utilised during the financial year	(5.5)	-	(5.5)
Transferred to payables and accruals	-	(5.4)	(5.4)
Exchange translation adjustment	(0.2)	-	(0.2)
At 31 December 2018	45.2	7.2	52.4
Provided during the financial year	**0.8**	**9.6**	**10.4**
Utilised during the financial year	**-**	**-**	**-**
Transferred to payables and accruals	**-**	**(4.9)**	**(4.9)**
Exchange translation adjustment	**0.6**	**(0.1)**	**0.5**
At 31 December 2019	**46.6**	**11.8**	**58.4**

	2019 €'m	2018 €'m
Analysed as:		
Current liabilities	**25.2**	20.3
Non-current liabilities	**33.2**	32.1
	58.4	52.4

Insurance

The Group operates a level of self-insurance. Under these arrangements, the Group retains certain exposures up to pre-determined self-insurance levels. The amount of self-insurance is reviewed on a regular basis to ensure it remains appropriate. The provision for these exposures represents amounts provided based on advice from insurance consultants, industry information, actuarial valuation and historical data in respect of claims that are classified as incurred but not reported and outstanding loss reserves. The methodology of estimating the provision is periodically reviewed to ensure that the assumptions made continue to be appropriate. The utilisation of the provision is dependent on the timing of settlement of the outstanding claims. Historically, the average time for settlement of outstanding claims ranges from 2 to 4 years from claim date.

Non-trading items

Non-trading items relate to restructuring and acquisition integration provisions incurred in 2019 and 2018 together with a residual amount incurred in 2013. These costs are expected to be paid within 24 months.

26. Retirement benefits obligation

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

Defined benefit post-retirement schemes exist in a number of countries in which the Group operates, primarily in Ireland and the Netherlands (Eurozone), the UK and the USA (included in Rest of World). These defined benefit plans, most of which are closed to future accrual, comprise final salary pension plans, career average salary pension plans and post-retirement medical plans. The post-retirement medical plans operated by the Group relate primarily to a number of USA employees. Defined benefit schemes in Ireland, the UK, and the USA are administered by Boards of Trustees. The Boards of Trustees generally comprise of representatives of the employees, the employer and independent trustees. These Boards are responsible for the management and governance of the plans including compliance with all relevant laws and regulations.

The values used in the Group's consolidated financial statements are based on the most recent actuarial valuations and have been updated by the individual schemes' independent and professionally qualified actuaries to incorporate the requirements of IAS 19 'Employee Benefits' in order to assess the liabilities of the various schemes as at 31 December 2019 using the projected unit credit method. All assets in the schemes have been measured at their fair value at the balance sheet date. Full actuarial valuations for funding purposes are carried out for the Group's pension plans in line with local requirements. The actuarial reports are not available for public inspection.

26. Retirement benefits obligation (continued)

The Group continues to harmonise, standardise and integrate the benefit offering to employees across the countries in which it operates. In 2019, a number of deferred members transferred their past service benefits out of the Irish defined benefit plans. In 2018, following consultation with employees, a decision was made to close the UK defined benefit scheme to future accrual from 5 April 2018 with future service being offered to employees in the defined contribution scheme.

The defined benefit plans expose the Group to risks such as interest rate risk, investment risk, inflation risk and mortality risk.

Interest rate risk
The calculation of the present value of the defined benefit obligation is sensitive to the discount rate which is derived from the interest yield on high quality corporate bonds at the balance sheet date. Market conditions in recent years have resulted in volatility in discount rates which has significantly impacted the present value of the defined benefit obligation. Such changes lead to volatility in the Group's Consolidated Balance Sheet, Consolidated Income Statement and Consolidated Statement of Comprehensive Income. Interest rates also impact on the funding requirements for the plans.

Investment risk
The net deficit recognised in the Consolidated Balance Sheet represents the present value of the defined benefit obligation less the fair value of the plan assets. When assets generate a rate of return less than the discount rate this results in an increase in the net deficit. Currently the plans have a diversified portfolio of investments in equities, bonds and other types of asset classes. External investment consultants periodically conduct an investment review and advise on the most appropriate asset allocation taking account of asset valuations, funding requirements, liability duration and the achievement of an appropriate return on assets.

Inflation risk
A significant proportion of the defined benefit obligation is linked to inflation, therefore an increase in inflation rates will increase the defined benefit obligation. However, a portion of the plan assets are inflation-linked debt securities which mitigates some of the effects of inflation movements.

Mortality risk
The present value of the defined benefit obligation is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the defined benefit obligation.

(i) Recognition in the Consolidated Income Statement and Consolidated Statement of Comprehensive Income

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

	2019 €'m	2018 €'m
Service cost:		
- Costs relating to defined contribution schemes	**64.0**	57.9
- Current service cost relating to defined benefit schemes	**2.7**	6.9
- Past service and settlements	**(9.9)**	(23.1)
Net interest cost	**0.8**	1.4
Recognised in the Consolidated Income Statement	**57.6**	43.1
Re-measurements of the net defined benefit liability:		
- Return on plan assets (excluding amounts included in net interest cost)	**(198.5)**	99.7
- Experience losses/(gains) on schemes' liabilities	**3.3**	(26.8)
- Actuarial gains arising from changes in demographic assumptions	**(8.9)**	(19.4)
- Actuarial losses/(gains) arising from changes in financial assumptions	**190.1**	(88.0)
Recognised in the Consolidated Statement of Comprehensive Income	**(14.0)**	(34.5)
Total	**43.6**	8.6

The total service cost is included in total staff numbers and costs (note 4) and the net interest cost is included in finance income and costs (note 6).

26. Retirement benefits obligation (continued)

(ii) Recognition in the Consolidated Balance Sheet

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

	31 December 2019 €'m	31 December 2018 €'m
Present value of defined benefit obligation	**(1,441.6)**	(1,280.4)
Fair value of plan assets	**1,429.7**	1,227.2
Net recognised deficit in plans before deferred tax	**(11.9)**	(53.2)
Net related deferred tax asset	**3.3**	9.2
Net recognised deficit in plans after deferred tax	**(8.6)**	(44.0)

(iii) Financial and demographic assumptions

The principal financial assumptions used by the Group's actuaries in order to calculate the defined benefit obligation at 31 December, some of which have been shown in range format to reflect the differing assumptions in each scheme, were as follows:

	2019			2018		
	Eurozone %	**UK %**	**Rest of World %**	Eurozone %	UK %	Rest of World %
Inflation assumption	**1.50**	**2.60**	**2.50**	1.60	3.10	2.50
Rate of increase in salaries	**N/A***	**N/A***	**3.00**	N/A*	N/A*	3.00
Rate of increase for pensions in payment and deferred pensions	**1.50**	**1.80 - 2.60**	**-**	1.55 - 1.60	2.10 - 2.90	-
Rate used to discount schemes' liabilities	**1.15 - 1.50**	**2.10**	**2.50 - 3.00**	2.20	3.00	3.75 - 4.25

* Not applicable due to closure of the Irish, Netherlands and UK defined benefit plans to future accrual during 2016 to 2018.

The most significant demographic assumption is mortality. The mortality assumptions used are based on advice from the pension schemes' actuaries and reflect each scheme's population. The life expectancy of a member retiring at 31 December at age 65, now and in 20 years' time, some of which have been shown in range format to reflect the differing assumptions in each scheme, is as follows:

	2019			2018		
	Eurozone Years	**UK Years**	**Rest of World Years**	Eurozone Years	UK Years	Rest of World Years
Male - retiring now	**22**	**20**	**21 - 22**	22	21	21 - 22
Female - retiring now	**24 - 25**	**23**	**23 - 24**	23 - 25	23	23 - 24
Male - retiring in 20 years' time	**24**	**21**	**22 - 24**	23 - 24	22	22 - 24
Female - retiring in 20 years' time	**25 - 27**	**24**	**24 - 25**	25 - 26	24	24 - 25

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

The table below gives an approximate indication of the impact of a change in the principal financial actuarial assumptions (discount rate, inflation rate, salary increases and pensions in payment and deferred pension increases) and the principal demographic actuarial assumption (mortality) on the schemes' liabilities. The present value of the defined benefit obligation has been calculated using the projected unit credit method. The impact on the defined benefit obligation at 31 December 2019 is calculated on the basis that only one assumption is changed with all other assumptions remaining unchanged. The assessment of the sensitivity analysis below could therefore be limited as a change in one assumption may not occur in isolation as assumptions may be correlated. There have been no changes from the previous year in the methods and assumptions used in preparing the sensitivity analysis.

26. Retirement benefits obligation (continued)

(iii) Financial and demographic assumptions (continued)

Assumption	Change in assumption	Impact on schemes' liabilities
Discount rate	Increase/decrease of 0.50%	Decrease/increase of 11.2%
Inflation rate	Increase/decrease of 0.50%	Increase/decrease of 7.8%
Salary increases	Increase/decrease of 0.50%	Increase/decrease of 0.0%
Pensions in payment and deferred pensions increases	Increase/decrease of 0.50%	Increase/decrease of 5.2%
Mortality	Increase/decrease in life expectancy of 1 Year	Increase/decrease of 3.6%

(iv) Reconciliations for defined benefit plans

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

	2019 €'m	2018 €'m
Present value of the defined benefit obligation at beginning of the financial year	(1,280.4)	(1,477.3)
Current service cost	**(2.7)**	(6.9)
Past service and settlements	**9.9**	23.1
Interest expense	**(34.3)**	(35.0)
Contributions by employees	**-**	(1.1)
Benefits paid	**59.7**	79.8
Re-measurements:		
- experience (losses)/gains on schemes' liabilities	**(3.3)**	26.8
- actuarial gains arising from changes in demographic assumptions	**8.9**	19.4
- actuarial (losses)/gains arising from changes in financial assumptions	**(190.1)**	88.0
Decrease arising on settlement	**31.0**	0.4
Exchange translation adjustment	**(40.3)**	2.4
Present value of the defined benefit obligation at end of the financial year	**(1,441.6)**	(1,280.4)

Present value of the defined benefit obligation at end of the financial year that relates to:		
Wholly unfunded plans	**(20.0)**	(19.3)
Wholly or partly funded plans	**(1,421.6)**	(1,261.1)
	(1,441.6)	(1,280.4)

The weighted average duration of the defined benefit obligation at 31 December 2019 is approximately **21 years** (2018: approximately 21 years).

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

	2019 €'m	2018 €'m
Fair value of plan assets at beginning of the financial year	1,227.2	1,353.0
Interest income	**33.5**	33.6
Contributions by employer	**19.5**	23.8
Contributions by employees	**-**	1.1
Benefits paid	**(59.7)**	(79.8)
Re-measurements:		
- return on plan assets (excluding amounts included in net interest cost)	**198.5**	(99.7)
Decrease arising on settlement	**(31.0)**	(0.4)
Exchange translation adjustment	**41.7**	(4.4)
Fair value of plan assets at end of the financial year	**1,429.7**	1,227.2

26. Retirement benefits obligation (continued)

(iv) Reconciliations for defined benefit plans (continued)

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

	2019 €'m	2018 €'m
Equities		
- Global Equities	**662.1**	567.1
- Emerging Market Equities	**67.3**	57.1
- Global Small Cap Equities	**3.5**	3.1
Government Fixed Income	**25.9**	96.6
Other Fixed Income	**473.3**	349.0
Multi-asset Funds		
- Diversified Growth Funds	**166.6**	148.2
- Hedge Funds	**0.1**	0.1
Cash and other	**30.9**	6.0
Total fair value of pension schemes' assets	**1,429.7**	1,227.2

The majority of equity securities and bonds have quoted prices in active markets. The schemes' assets are invested with professional investment managers. Investments in the Group's own financial instruments, if any, are solely at the discretion of the investment managers concerned. The actual amount of the Group's own financial instruments held by the pension schemes during 2019 and 2018 were not material. No property held by the pension schemes was occupied by the Group nor were any other pension schemes' assets used by the Group during 2019 or 2018.

In 2018, the UK scheme invested in a pooled Liability Driven Investment (LDI) strategy and the Irish Schemes invested in a similar LDI strategy during 2019. The primary goal of this asset class is to mitigate volatility and enable better matching of investment returns with the cash outflows required to pay benefits. The pooled LDI solutions invest in various levered and unlevered bonds and the value of the LDI assets at 31 December 2019 across UK and Irish schemes was **€337.0m** (2018: €204.3m) which is based on the latest market bid price for the underlying investments, which are traded daily on liquid markets.

(v) Funding for defined benefit plans

The Group operates a number of defined benefit plans in a number of countries and each plan is required to be operated in line with local legislation, conditions, practices and the regulatory framework in place for the specific country. As a result, there are a number of different funding arrangements in place that accord with the specific local legislative, regulatory and actuarial requirements.

Funding for each plan is carried out by cash contributions from the Group's subsidiaries. These funding arrangements have been advised by the pension schemes' actuaries and agreed between the Group and the relevant Trustees. It is the aim of the Group to eliminate actuarial deficits, on average over seven to eight years. Actuarial valuations, which are not available for public inspection, are carried out every three years in Ireland and the UK; and every year in the USA. During the financial year ending 31 December 2020, the Group expects to make contributions of approximately €16.2m to its defined benefit plans.

27. Share capital

	2019 €'m	2018 €'m
Group and Company:		
Authorised		
280,000,000 A ordinary shares of 12.50 cent each	**35.0**	35.0
Allotted, called-up and fully paid (A ordinary shares of 12.50 cent each)		
At beginning of the financial year	22.0	22.0
Shares issued during the financial year	**0.1**	-
At end of the financial year	**22.1**	22.0

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

27. Share capital (continued)

Shares issued

During 2019 a total of **216,526** (2018: 116,011) A ordinary shares, each with a nominal value of 12.50 cent, were issued at nominal value per share under the Long Term and Short Term Incentive Plans.

The total number of shares in issue at 31 December 2019 was **176,514,942** (2018: 176,298,416).

Share buy back programme

At the 2019 Annual General Meeting, shareholders passed a resolution authorising the Company to purchase up to 5% of its own issued share capital. In 2019 and 2018, no shares were purchased under this programme.

28. Share-based payments

The Group operates two equity-settled share-based payment plans. The first plan is the Group's Long Term Incentive Plan and the second is the element of the Group's Short Term Incentive Plan that is settled in shares/share options after a 2 year deferral period. Details on each of these plans are outlined below.

The Group recognised an expense of **€14.4m** (2018: €12.2m) related to equity-settled share-based payment transactions in the Consolidated Income Statement during the financial year. The expectation of meeting performance criteria was taken into account when calculating this expense.

(i) Long Term Incentive Plan

The Group operates an equity-settled Long Term Incentive Plan (LTIP) under which an invitation to participate was made to Executive Directors and senior executives. The proportion of each invitation which vests will depend on the Adjusted Earnings Per Share (EPS) performance, Total Shareholder Return (TSR) and Return on Average Capital Employed (ROACE) of the Group during a three year period ('the performance period'). The invitations made in 2017, 2018 and 2019 will potentially vest in 2020, 2021 and in 2022 respectively. 50% of the award will be issued at the date of vesting, with 50% being issued after a 2 year deferral period.

Up to 50% of the shares/share options subject to an invitation will vest according to the Group's Adjusted EPS growth calculated on a constant currency basis compared with target during the performance period. Up to 30% of the shares/share options subject to an invitation will vest according to the Group's TSR performance during the performance period measured against the TSR performance of a peer group of listed companies. The remaining 20% of the shares/share options will vest according to the Group's ROACE versus predetermined targets. An invitation may lapse if a participant ceases to be employed within the Group before the vesting date.

Under the Long Term Incentive Plan (LTIP), the Group introduced career shares awards, under which an invitation to participate was made to a limited number of senior executives. The proportion of each invitation which vests will depend on personal objectives during a three year period ('the performance period') and the senior executives remaining within the Group for a four year period ('the retention period'). The invitations made in 2015, 2017, 2018 and 2019 will potentially vest in 2021, 2022/2023, 2024 and 2025 respectively. An invitation may lapse if a participant ceases to be employed within the Group before the vesting date.

28. Share-based payments (continued)

(i) Long Term Incentive Plan (continued)

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

	Number of Conditional Awards 2019	Number of Conditional Awards 2018
Outstanding at beginning of the financial year	1,143,665	1,107,335
Forfeited	**(77,784)**	(124,867)
Shares vested	**(68,094)**	(90,547)
Share options vested	**(107,713)**	(110,180)
Relinquished	**(101,492)**	(121,467)
New conditional awards	**508,435**	483,391
Outstanding at end of the financial year	**1,297,017**	1,143,665

	Number of Share Options 2019	Number of Share Options 2018
Share options arising under the LTIP		
Outstanding at beginning of the financial year	180,615	141,517
Options released at vesting date	**58,316**	59,266
Options released from deferral	**36,113**	22,385
Exercised	**(148,770)**	(42,553)
Outstanding and exercisable at end of the financial year	**126,274**	180,615

Share options under the LTIP scheme have an exercise price of 12.50 cent. The remaining weighted average life for share options outstanding is **4.4 years** (2018: 4.1 years). The weighted average share price at the date of exercise was **€101.09** (2018: €87.64). 49,397 share options (2018: 50,914 share options) which vested in the financial year are deferred and therefore are not exercisable at year end.

At the invitation grant date, the fair value per conditional award and the assumptions used in the calculations are as follows:

LTIP Scheme	**2019 Conditional Award at Grant Date**	**2018 Conditional Award at Grant Date**	**2017 Conditional Award at Grant Date**	**2016 Conditional Award at Grant Date**
Conditional Award Invitation date	March 2019	March 2018	March 2017	March 2016
Year of potential vesting	2022/2025	2021/2024	2020/2023	2019
Share price at grant date	€95.40	€81.95	€74.52	€79.80
Exercise price per share/share options	€0.125	€0.125	€0.125	€0.125
Expected volatility	19.3%	19.8%	20.7%	19.1%
Expected life	3/7 years	3/7 years	3/7 years	3 years
Risk free rate	(0.5%)	(0.5%)	(0.8%)	(0.5%)
Expected dividend yield	0.7%	0.7%	0.7%	0.7%
Expected forfeiture rate	5.0%	5.0%	5.0%	5.0%
Weighted average fair value at grant date	€78.00/€95.92	€66.52/€77.96	€61.64/€70.94	€68.72
Valuation model	Monte Carlo Pricing	Monte Carlo Pricing	Monte Carlo Pricing	Monte Carlo Pricing

28. Share-based payments (continued)

(i) Long Term Incentive Plan (continued)

Expected volatility was determined by calculating the historical volatility of the Group's share price over the previous three years. Market based vesting conditions, such as the TSR condition, have been taken into account in establishing the fair value of equity instruments granted. The TSR performance over the period is measured against the TSR performance of a peer group of listed companies. Non-market based performance conditions, such as the EPS and ROACE conditions, were not taken into account in establishing the fair value of equity instruments granted, however the number of equity instruments included in the measurement of the transaction is adjusted so that the amount recognised is based on the number of equity instruments that eventually vest.

(ii) Short Term Incentive Plan

In 2013 the Group's Short Term Incentive Plan (STIP) for Executive Directors was amended to incorporate a share-based payment element with 25% of the total bonus to be settled in shares/share options. The shares/share options awarded as part of this scheme will be issued 2 years after the vesting date once a deferral period has elapsed. There are no further performance conditions relating to the shares/share options during the deferral period.

There are **4,829** share options (2018: 5,172 share options) outstanding and exercisable in relation to the STIP.

A share-based payment expense is recognised in the Consolidated Income Statement for the scheme to reflect the cash value of the bonus to be paid by way of shares/share options. The issuance of shares/share options under the STIP, which relate to the 2015 and 2016 financial years were released from deferral in 2017 and 2018 respectively. The issuance of shares/share options under the STIP which related to the 2018 and 2019 financial years will be released from deferral in 2020 and 2021 respectively.

29. Cash flow components

(i) Cash flow analysis

	Notes	**Group 2019 €'m**	Group 2018 €'m	**Company 2019 €'m**	Company 2018 €'m
Profit before taxation		**645.9**	617.9	**137.5**	154.9
Intangible asset amortisation	12	**64.3**	53.8	**-**	-
Non-trading items	5	**110.9**	66.9	**14.9**	-
Finance income	6	**(0.3)**	(0.5)	**-**	-
Finance costs	6	**81.9**	67.5	**-**	-
Trading profit		**902.7**	805.6	**152.4**	154.9
Change in working capital					
Increase in inventories		**(78.6)**	(50.1)	**-**	-
(Increase)/decrease in trade and other receivables		**(49.9)**	(44.0)	**(41.7)**	21.7
Increase in trade and other payables		**45.7**	23.8	**4.6**	2.2
Increase/(decrease) in non-current liabilities		**4.5**	(20.7)	**-**	-
Share-based payment expense	28	**14.4**	12.2	**14.4**	12.2
		(63.9)	(78.8)	**(22.7)**	36.1
Purchase of assets					
Purchase of property, plant and equipment		**(258.9)**	(274.3)	**-**	-
Purchase of intangible assets	12	**(55.2)**	(30.4)	**-**	-
(Purchase)/sale of financial assets	13	**(1.5)**	8.6	**-**	-
		(315.6)	(296.1)	**-**	-
Cash and cash equivalents					
Cash at bank and in hand	23	**554.9**	413.8	**-**	-
Bank overdrafts	23	**(5.2)**	(9.9)	**-**	-
		549.7	403.9	**-**	-

29. Cash flow components (continued)

(ii) Disposal of businesses and assets reconciliation

	Notes	Group 2019 €'m	Group 2018 €'m
Assets and businesses			
Property, plant and equipment	11	**(36.3)**	(5.2)
Investments in associates	14	**-**	(5.5)
Assets classified as held for sale		**-**	(6.3)
Net assets and businesses disposed		**(36.3)**	(17.0)
Consideration			
Cash received		**32.8**	11.6
Total consideration received		**32.8**	11.6
Loss on disposal of assets and businesses	5	**(3.5)**	(5.4)

Net cash inflow on disposal:	Total 2019 €'m	Total 2018 €'m
Cash	**32.8**	11.6
Less: cash at bank and in hand balance disposed of	**-**	-
	32.8	11.6

(iii) Net debt reconciliation

	Note	Cash at bank and in hand €'m	Interest Rate Swaps €'m	Overdrafts due within 1 year* €'m	Borrowings due within 1 year* €'m	Borrowings due after 1 year* €'m	Net debt €'m	Lease liabilities* €'m	Total €'m
At 1 January 2018		312.5	87.5	(6.9)	(6.4)	(1,728.4)	(1,341.7)	-	(1,341.7)
Cash flows		101.9	-	(3.8)	2.5	(352.7)	(252.1)	-	(252.1)
Foreign exchange adjustments		(0.6)	0.6	0.8	-	(27.9)	(27.1)	-	(27.1)
Other non-cash movements		-	8.1	-	-	(10.7)	(2.6)	-	(2.6)
At 31 December 2018	23	413.8	96.2	(9.9)	(3.9)	(2,119.7)	(1,623.5)	-	(1,623.5)
Cash flows		**133.1**	**-**	**4.9**	**3.9**	**(389.5)**	**(247.6)**	**(35.5)**	**(283.1)**
Foreign exchange adjustments		**8.0**	**-**	**(0.2)**	**-**	**(12.0)**	**(4.2)**	**-**	**(4.2)**
Other non-cash movements		**-**	**32.2**	**-**	**(185.6)**	**165.9**	**12.5**	**(73.9)**	**(61.4)**
At 31 December 2019	23	**554.9**	**128.4**	**(5.2)**	**(185.6)**	**(2,355.3)**	**(1,862.8)**	**(109.4)**	**(1,972.2)**

* Liabilities from financing activities.

30. Business combinations

During 2019, the Group completed a total of eleven acquisitions, all of which are 100% owned by the Group unless otherwise stated.

	Notes	Total 2019 €'m
Recognised amounts of identifiable assets acquired and liabilities assumed:		
Non-current assets		
Property, plant and equipment	11	**115.1**
Brand related intangibles	12	**237.0**
Current assets		
Cash at bank and in hand		**2.9**
Inventories		**17.1**
Trade and other receivables		**11.2**
Current liabilities		
Trade and other payables		**(14.8)**
Non-current liabilities		
Deferred tax liabilities		**(7.2)**
Other non-current liabilities		**(0.3)**
Total identifiable assets		**361.0**
Goodwill	12	**200.7**
Total consideration		**561.7**

Satisfied by:	
Cash	**546.9**
Deferred payment	**14.8**
	561.7

Net cash outflow on acquisition:	Total 2019 €'m
Cash	**546.9**
Less: cash and cash equivalents acquired	**(2.9)**
Prepayments in relation to 2020 acquisitions	**18.7**
	562.7

The acquisition method has been used to account for businesses acquired in the Group's financial statements. Given that the valuation of the fair value of assets and liabilities recently acquired is still in progress, some of the above values are determined provisionally. The valuation of the fair value of assets and liabilities will be completed within the measurement period. For the acquisitions completed in 2018, there have been no material revisions of the provisional fair value adjustments since the initial values were established. The Group performs quantitative and qualitative assessments of each acquisition in order to determine whether it is material for the purposes of separate disclosure under IFRS 3 'Business Combinations'. None of the acquisitions completed during the period were considered material to warrant separate disclosure.

The goodwill is attributable to the expected profitability, revenue growth, future market development and assembled workforce of the acquired businesses and the synergies expected to arise within the Group after the acquisition. **€194.4m** of goodwill recognised is expected to be deductible for income tax purposes.

Transaction expenses related to these acquisitions of **€7.1m** were charged in the Group's Consolidated Income Statement during the financial year. The fair value of the financial assets includes trade and other receivables with a fair value of **€11.2m** and a gross contractual value of **€11.2m**.

30. Business combinations (continued)

From the date of acquisition, the acquired businesses have contributed **€140.9m** of revenue and **€10.6m** of profit after taxation attributable to owners of the parent to the Group. If the acquisition dates had been on the first day of the financial year, the acquired businesses would have contributed **€202.9m** of revenue and **€14.0m** of profit after taxation attributable to owners of the parent to the Group.

The following acquisitions were completed by the Group during 2019:

Acquisition	Acquired	Principal activity
Southeastern Mills	January	Southeastern Mills, located in the USA, is a leading food manufacturer specialising in coating and seasoning systems.
Ariake U.S.A., Inc.	March	Ariake is a manufacturer of natural clean label savoury solutions, based in the USA.
Muskvale Flavours & Fragrances	March	Muskvale Flavours & Fragrances, based in Australia, creates and sells flavours and fragrances.
ComeIn Food Systems	August	ComeIn Food Systems, located in Mexico, produce seasonings and functional ingredients.
Saporiti Whipping Agents	August	Saporiti Whipping Agents, based in Brazil, specialises in whipping agents technology.
Isoage Technologies	August	Isoage Technologies is a USA based supplier of fermentation technology and functional ingredients to the food, dairy and pet industries.
Ensyn Technologies	August	Ensyn Technologies are experts in Rapid Thermal Processing technology which forms the base for many smoke products, based in Canada.
Pevesa Biotech S.A.U.	September	Pevesa, based in Spain, is a specialist plant protein isolates and hydrolysates business, serving key nutrition applications.
Biosecur Lab	September	Biosecur is a supplier of natural antimicrobials made from citrus extracts, based in Canada.
Serve Food Solutions	September	Serve Food Solutions, based in the USA, provides solutions to manufacturers and foodservice companies.
Diana Food (Georgia, USA)	November	Diana Food, based in Georgia, USA, is a savoury taste manufacturer of natural clean label technologies.

31. Contingent liabilities

	2019 €'m	2018 €'m
Company:		
(i) Guarantees in respect of borrowings of subsidiaries	**2,521.2**	2,120.3

(ii) For the purposes of Section 357 of the Companies Act, 2014, 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 36, in respect of all amounts shown as liabilities or commitments in the statutory financial statements as referred to in Section 357 (1) (b) of the Companies Act, 2014 for the financial year ending on 31 December 2019 or any amended financial period incorporating the said financial year. All other provisions of Section 357 have been complied with in this regard. The Company has given similar indemnities in relation to its subsidiaries in Germany (section 264 of the Commercial Code), Luxembourg (Article 70 of the Luxembourg law of 19 December 2002 as amended) and the Netherlands (Article 2:403 of the Dutch Civil Code), as set out in note 36. In addition, the Company has also availed of the exemption from filing subsidiary financial statements in Luxembourg, Germany, the Netherlands and Ireland.

The Company does not expect any material loss to arise from these guarantees and considers their fair value to be negligible.

32. Other financial commitments

Commitments for the acquisition of property, plant, equipment and computer software at 31 December for which no provision has been made in the accounts are as follows:

	2019 €'m	2018 €'m
Group:		
Commitments in respect of contracts placed	**109.1**	104.6
Expenditure authorised by the Directors but not contracted for at the financial year end	**115.5**	113.7
	224.6	218.3

33. Related party transactions

(i) Trading with Directors

In their ordinary course of business as farmers, certain Directors have traded on standard commercial terms with the Group's Agribusiness division. Aggregate purchases from, and sales to, these Directors amounted to **€0.2m** (2018: €0.2m) and **€0.1m** (2018: €0.1m) respectively. The trading balance outstanding to the Group at the financial year end was **€nil** (2018: €0.1m).

All transactions with Directors were on standard commercial terms. The amounts outstanding are unsecured and will be settled in cash. No expense has been recognised in the financial year for bad or doubtful debts in respect of amounts owed by Directors.

(ii) Trading between Parent Company and subsidiaries

Transactions in the financial year between the Parent Company and its subsidiaries included dividends received of **€172.5m** (2018: €177.5m), cost recharges of **€19.0m** (2018: €19.6m), and trade and other receivables of **€135.8m** (2018: €94.1m). The Parent Company has also provided a guarantee in respect of borrowings of subsidiaries which is disclosed in note 31.

(iii) Trading with associates and joint ventures

Details of transactions and balances outstanding with associates and joint ventures are as follows:

	Rendering of services		Sale of goods		Amounts receivable/ (payable) at 31 December	
	2019 €'m	2018 €'m	2019 €'m	2018 €'m	2019 €'m	2018 €'m
Associates	**-**	-	**-**	(0.3)	**-**	-
Joint ventures	**0.1**	-	**0.4**	-	**-**	-

These trading transactions are undertaken and settled at normal trading terms. The Group had amounts payable to joint ventures of **€0.2m** (2018: €nil). A loan of **€0.2m** was advanced to Proparent B.V. (2018: €nil) with interest charged on commercial terms.

(iv) Trading with other related parties

As detailed in the Directors' Report, Kerry Co-operative Creameries Limited is considered to be a related party of the Group as a result of its significant shareholding in the Parent Company. During 2019, dividends of **€17.3m** (2018: €15.6m) were paid to Kerry Co-operative Creameries Limited based on its shareholding. A subsidiary of Kerry Group plc traded product to the value of **€0.1m** (2018: €0.1m) on behalf of Kerry Co-operative Creameries Limited.

(v) Transactions with key management personnel

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

In addition to their salaries and short-term benefits, the Group also contributes to post-retirement defined benefit, defined contribution and saving plans on behalf of the Executive Directors (note 26). The Directors also participate in the Group's Long Term Incentive Plan (LTIP) (note 28).

Remuneration cost of key management personnel is as follows:

	2019 €'m	2018 €'m
Short term benefits (salaries, fees and other short term benefits)	**6.7**	6.7
Post-retirement benefits	**0.5**	0.6
LTIP accounting charge	**2.3**	2.4
Other long term benefits	**-**	-
Termination benefits	**-**	-
Total	**9.5**	9.7

33. Related party transactions (continued)

(v) Transactions with key management personnel (continued)

Retirement benefit charges of **€0.2m** (2018: €0.1m) arise under a defined benefit scheme relating to **1** Director (2018: 1 Director) and charges of **€0.3m** (2018: €0.5m) arise under a defined contribution scheme relating to **2** directors (2018: 3 Directors). The LTIP accounting charge above is determined in accordance with the Group's accounting policy for share-based payments.

Post-retirement benefits in the above table and the statutory and listing rules disclosure in respect of pension contributions in the Executive Directors' remuneration table in the remuneration report are determined on a current service cost basis.

The aggregate amount of gains accruing to Executive Directors on the exercise of share options is **€nil** (2018: €1.1m). Dividends totalling **€0.1m** (2018: €0.1m) were also received by key management personnel during the financial year, based on their personal interests in the shares of the company.

34. Events after the balance sheet date

Since the financial year end, the Group has proposed a final dividend of **55.10 cent** per A ordinary share (note 10).

There have been no other significant events, outside the ordinary course of business, affecting the Group since 31 December 2019.

35. Reserves

Fair value through other comprehensive income reserve (FVOCI)

The fair value through other comprehensive income reserve represents the unrealised gains and losses on the financial assets held at fair value through other comprehensive income by the Group.

Capital redemption reserve

Capital redemption reserve represents the nominal cost of the cancelled shares in 2007.

Other undenominated capital

Other undenominated capital represents the amount transferred to reserves as a result of renominalising the share capital of the Parent Company due to the euro conversion in 2002.

Share-based payment reserve

The share-based payment reserve relates to invitations made to employees to participate in the Group's Long Term Incentive Plan and the element of the Group's Short Term Incentive Plan that is settled in shares/share options. Further information in relation to this share-based payment is set out in note 28.

Translation reserve

Exchange differences relating to the translation of the balance sheets of the Group's foreign currency operations from their functional currencies to the Group's presentation currency (euro) are recognised directly in other comprehensive income and accumulated in the translation reserve.

Hedging reserve

The hedging reserve represents the effective portion of gains and losses on hedging instruments from the application of cash flow hedge accounting for which the underlying hedged transaction is not impacting profit or loss. The cumulative deferred gain or loss on the hedging instrument is reclassified to profit or loss only when the hedged transaction affects the profit or loss.

Cost of hedging reserve

The cost of hedging reserve arises from where the Group has entered into cross currency interest rate swaps. Such cross currency interest rate swaps have basis risk as there are characteristics in the cross currency interest rate swap contracts that are not present in the hedged item, being currency basis spreads.

Retained earnings

Retained earnings refers to the portion of net income, which is retained by the Group rather than distributed to shareholders as dividends.

36. Group entities

Principal subsidiaries and joint venture undertakings

Country	Company Name	Nature of Business	Registered Office
Ireland	Accommodation Tralee Limited	Investment	1
	Ballyfree Farms Limited	Consumer Foods	1
	Breeo Brands Limited	Consumer Foods	1
	Breeo Foods Limited	Consumer Foods	1
	Carteret Investments Unlimited Company	Investment	1
	Cuarto Limited	Taste & Nutrition	1
	Dawn Dairies Limited	Consumer Foods	1
	Denny Foods Limited	Investment	1
	Duffy Meats Limited	Consumer Foods	1
	Fambee Limited	Consumer Foods	1
	Glenealy Farms (Turkeys) Limited	Consumer Foods	1
	Golden Vale Clare Limited	Investment	1
	Golden Vale Dairies Limited	Agribusiness	1
	Golden Vale Food Products Unlimited Company	Investment	1
	Golden Vale Holdings Limited	Investment	1
	Golden Vale Investments Limited	Investment	1
	Golden Vale Limited	Investment	1
	Grove Farm Limited	Investment	1
	Helios Limited	Investment	1
	Henry Denny & Sons (Ireland) Limited	Consumer Foods	1
	Ichor Management Limited	Investment	1
	Ivernia Pig Developments Limited	Consumer Foods	1
	Kerry Agri Business Holdings Limited	Investment	1
	Kerry Agri Business Trading Limited	Agribusiness	1
	Kerry Creameries Limited	Agribusiness	1
	Kerry Food Ingredients (Cork) Limited	Taste & Nutrition	1
	Kerry Foods Limited	Consumer Foods	1
	Kerry Group Business Services Limited	Services	1
	Kerry Group Financial Services Unlimited Company	Services	1
	Kerry Group Finance International Limited	Services	1
	Kerry Group Services International Limited	Services	1
	Kerry Group Services Limited	Services	1
	Kerry Health and Nutrition Institute Limited	Taste & Nutrition	1
	Kerry Holdings (Ireland) Limited	Investment	1
	Kerry Ingredients & Flavours Limited	Taste & Nutrition	1
	Kerry Ingredients (Ireland) Limited	Taste & Nutrition	1
	Kerry Ingredients Holdings (Ireland) Limited	Investment	1
	Kerry Treasury Services Limited	Services	1
	Kerrykreem Limited	Consumer Foods	1
	Lifesource Foods Research Limited	Investment	1
	Maddens Milk Limited	Investment	1
	National Food Ingredients Limited	Taste & Nutrition	1

36. Group entities (continued)

Principal subsidiaries and joint venture undertakings (continued)

Country	Company Name	Nature of Business	Registered Office
Ireland	Newmarket Co-operative Creameries Limited	Taste & Nutrition	1
	Plassey Holdings Limited	Investment	1
	Princemark Holdings Designated Activity Company	Services	1
	Putaxy Limited	Investment	1
	Rye Developments Limited	Services	1
	Rye Investments Limited	Consumer Foods	1
	Rye Valley Foods Limited	Consumer Foods	1
	Selamor Limited	Consumer Foods	1
	Tacna Investments Limited	Investment	1
	William Blake Limited	Taste & Nutrition	1
	Zenbury International Limited	Services	1
UK	Henry Denny & Sons (N.I.) Limited	Consumer Foods	2
	Dairy Produce Packers Limited	Consumer Foods	2
	Golden Cow Dairies Limited	Consumer Foods	2
	Golden Vale (NI) Limited	Investment	2
	Leckpatrick Dairies Limited	Consumer Foods	2
	Leckpatrick Holdings Limited	Investment	2
	RVF (UK) Limited	Consumer Foods	2
	Kerry Foods Limited	Consumer Foods	3
	Kerry Holdings (U.K.) Limited	Investment	3
	Kerry Savoury Foods Limited	Consumer Foods	3
	Noon Group Limited	Consumer Foods	3
	Noon Products Limited	Consumer Foods	3
	Oakhouse Foods Limited	Consumer Foods	3
	Rollover Holdings Limited	Consumer Foods	3
	Rollover Group Limited	Consumer Foods	3
	Rollover Limited	Consumer Foods	3
	E B I Foods Limited	Taste & Nutrition	4
	Gordon Jopling (Foods) Limited	Taste & Nutrition	4
	Kerry Ingredients (UK) Limited	Taste & Nutrition	4
	Kerry Ingredients Holdings (U.K.) Limited	Investment	4
	Titusfield Limited	Taste & Nutrition	4
	Kerry Flavours UK Limited	Taste & Nutrition	4
Belgium	Kerry Holdings Belgium NV	Taste & Nutrition	5
Netherlands	Kerry (NL) B.V.	Taste & Nutrition	6
	Kerry Group B.V.	Investment	6
	Proparent B.V. (55% shareholding)	Taste & Nutrition	7
Czech Republic	Kerry Ingredients & Flavours S.R.O.	Taste & Nutrition	8
France	Kerry Ingredients France SAS	Taste & Nutrition	9
	Kerry Ingredients Holdings France SAS	Investment	9
	Kerry Savoury Ingredients France SAS	Taste & Nutrition	9
	Kerry Flavours France SAS	Taste & Nutrition	10

36. Group entities (continued)

Principal subsidiaries and joint venture undertakings (continued)

Country	Company Name	Nature of Business	Registered Office
Germany	Kerry Food GmbH	Taste & Nutrition	11
	Kerry Ingredients GmbH	Taste & Nutrition	11
	SuCrest GmbH	Taste & Nutrition	12
	Vicos Nahrungsmittel GmbH	Taste & Nutrition	12
	Red Arrow Handels GmbH	Taste & Nutrition	13
Belarus	Unitary Manufacturing Enterprise "Vitella"	Taste & Nutrition	14
Denmark	Cremo Ingredients A/S	Taste & Nutrition	15
Italy	Kerry Ingredients & Flavours Italia S.p.A.	Taste & Nutrition	16
Poland	Kerry Polska Sp. z.o.o.	Taste & Nutrition	17
Hungary	Kerry Hungaria Kft	Taste & Nutrition	18
Luxembourg	Kerry Luxembourg S.a.r.l.	Services	19
	Zenbury International Limited S.a.r.l.	Services	19
Romania	Kerry Romania s.r.l.	Taste & Nutrition	20
Russia	Kerry Limited Liability Company	Taste & Nutrition	21
Spain	Kerry Iberia Taste & Nutrition S.L.U.	Taste & Nutrition	22
	Harinas y Sémolas del Noroeste S.A.U.	Taste & Nutrition	23
	Pevesa Biotech S.A.U.	Taste & Nutrition	24
Slovakia	Dera SK S.R.O.	Taste & Nutrition	25
Sweden	Tarber AB	Taste & Nutrition	26
Ukraine	Kerry Ukraine LLC	Taste & Nutrition	27
USA	Kerry Holding Co.	Investment	28
	Kerry Inc.	Taste & Nutrition	28
	Ganeden Biotech, Inc.	Taste & Nutrition	29
	Insight Beverages, Inc.	Taste & Nutrition	30
	Fleischmann's Vinegar Company, Inc.	Taste & Nutrition	31
	Ariake U.S.A., Inc.	Taste & Nutrition	32
Canada	Kerry (Canada) Inc.	Taste & Nutrition	33
Mexico	Kerry Ingredients (de Mexico) S.A. de C.V.	Taste & Nutrition	34
Brazil	Kerry do Brasil Ltda.	Taste & Nutrition	35
	Kerry da Amazonia Ingredientes e Aromas Ltda.	Taste & Nutrition	36
Costa Rica	Baltimore Spice Central America S.A.	Taste & Nutrition	37
Chile	Kerry Chile Ingredientes, Sabores Y Aromas Ltda.	Taste & Nutrition	38
Colombia	Kerry Ingredients & Flavours Colombia S.A.S.	Taste & Nutrition	39
Panama	Baltimore Spice Panama S.A.	Taste & Nutrition	40
Guatemala	Baltimore Spice Guatemala S.A.	Taste & Nutrition	41
	Aromaticos de Centroamerica S.A.	Taste & Nutrition	42
El Salvador	Baltimore Spice de El Salvador S.A. de C.V.	Taste & Nutrition	43
	Aromateca S.A. de C.V.	Taste & Nutrition	43
Thailand	Kerry Ingredients (Thailand) Limited	Taste & Nutrition	44
Philippines	Kerry Food Ingredients (Philippines), Inc.	Taste & Nutrition	45
	Kerry Manufacturing (Philippines), Inc.	Taste & Nutrition	46

36. Group entities (continued)

Principal subsidiaries and joint venture undertakings (continued)

Country	Company Name	Nature of Business	Registered Office
Singapore	Kerry Ingredients (S) PTE Limited	Taste & Nutrition	47
Malaysia	Kerry Ingredients (M) Sdn. Bhd.	Taste & Nutrition	48
	Kerry Group Business Services (ASPAC) Sdn. Bhd.	Taste & Nutrition	48
Japan	Kerry Japan Kabushiki Kaisha	Taste & Nutrition	49
China	Kerry Food Ingredients (Hangzhou) Co. Ltd	Taste & Nutrition	50
	Kerry Ingredients Trading (Shanghai) Co. Ltd	Taste & Nutrition	51
	Kerry Foods (Nantong) Co Limited	Taste & Nutrition	52
	TianNing Flavour & Fragrance (Jiangsu) Co., Ltd	Taste & Nutrition	53
	Zhejiang Hangman Food Technologies Co. Ltd	Taste & Nutrition	54
	SIAS (Dachang) Food Co., Ltd	Taste & Nutrition	55
Egypt	Kerry Egypt LLC	Taste & Nutrition	56
Indonesia	PT Kerry Ingredients Indonesia	Taste & Nutrition	57
India	Kerry Ingredients India Private Limited	Taste & Nutrition	58
Australia	Kerry Ingredients Australia Pty Limited	Taste & Nutrition	59
New Zealand	Kerry Ingredients (NZ) Limited	Taste & Nutrition	60
Kenya	Kerry Kenya Limited	Taste & Nutrition	61
South Africa	Kerry Ingredients South Africa (Proprietary) Limited	Taste & Nutrition	62
	Season to Season Flavour Manufacturers (Pty) Limited	Taste & Nutrition	63
South Korea	Kerry Ingredients Korea LLC	Taste & Nutrition	64
	Jungjin Food Co. Limited	Taste & Nutrition	65
Saudi Arabia	AATCO Food Industries L.L.C. (90% shareholding)	Taste & Nutrition	66
Oman	AATCO Food Industries LLC (90% shareholding)	Taste & Nutrition	67
Vietnam	Kerry Taste & Nutrition (Vietnam) Company Limited	Taste & Nutrition	68

Notes
(a) All group entities are wholly owned subsidiaries unless otherwise stated.
(b) Country represents country of incorporation and operation. Ireland refers to the Republic of Ireland.
(c) With the exception of the USA, Canadian and Mexican subsidiaries, where the holding is in the form of common stock, all holdings are in the form of ordinary shares.

36. Group entities (continued)

Registered Office

1	Prince's Street, Tralee, Co Kerry, V92 EH11, Ireland.
2	Millburn Road, Coleraine, Northern Ireland BT52 1QZ, United Kingdom.
3	Thorpe Lea Manor, Thorpe Lea Road, Egham, Surrey TW20 8HY, England.
4	Bradley Road, Royal Portbury Dock, Bristol BS20 7NZ, England.
5	Havenlaan 86C, Bus 204, 1000 Brussels, Belgium.
6	Maarssenbroeksedijk 2a, 3542 DN Utrecht, The Netherlands.
7	Cuneraweg 9c, Ochten, 4051 CE, The Netherlands.
8	Jindřišská 937/16, Nové Město, 110 00 Praha 1, Czech Republic.
9	43 rue Louis Pasteur, 62575 Blendecques, France.
10	Zone Industrielle du Plan, BP 82067, 06131 Grasse, CEDEX, France.
11	Hauptstrasse 22-26, D-63924 Kleinheubach, Germany.
12	Neckarstraße 9, 65239 Hochheim/Main, Germany.
13	Hanna-Kunath-Strasse 25, 28199, Bremen, Germany.
14	P. Brovki Str., 44 210039 Vitebsk, Belarus.
15	Toftegardsvej 3, DK-5620, Glamsbjerg, Denmark.
16	Via Capitani Di Mozzo 12/16, 24030 Mozzo, Bergamo, Italy.
17	25-558 Kielce, Ul. Zagnanska 97a, Kielce, Poland.
18	Dévai utca 26-28, Budapest, H-1134, Hungary.
19	17 Rue Antoine Jans, L-1820 Luxembourg, Grand-Duchy of Luxembourg, Luxembourg.
20	BIROUL NR.5, Etaj 5, Nr. 4D, CORP C, Strada GARA HERĂSTRĂU, Bucureşti Sectorul 2, Romania.
21	RigaLand Business Centre, 26 km Baltiya Highway , Krasnogorskiy District, 143421, Moscow, Russia.
22	Calle Coto de Doñana, 15, 28320 Pinto, Madrid, Spain.
23	Polígono Industrial de las Gándaras de Budino, O Porrino, Pontevedra, Spain.
24	Avda de la Industria s/n, Visos del Alcor, Seville, Spain.
25	Hodžovo námestie 1A, Bratislava, 811 06, Slovakia.
26	Box 1420 - Frejgatan 13, 114 79 Stockholm, Sweden.
27	Office 2-301, build 2, Ave Ohtyrsky 7, Kiev, Ukraine.
28	3400 Millington Road, Beloit WI 53511, United States.
29	5800 Landerbrook Drive, Suite 300, Mayfield Heights OH 44124, United States.
30	635 Oakwood Road, Lake Zurich IL 60047, United States.
31	12604 Hiddencreek Way # A, Cerritos, CA 90703, United States.
32	1711 North Liberty Street, Harrisonburg VA 22802, United States.
33	615 Jack Ross Avenue Woodstock ON N4S 8A4, Canada.
34	Carr. Panamericana, Salamanca Km 11.2, 36660 Irapuato, Guanajuato, Mexico.
35	Avenida Mercedes Benz 460, Distrito Industrial, Campinas, Sao Paolo, 13054-750, Brazil.
36	Rua Hidra 188, Santo Agostinho, Manaus, 69036-520, Brazil.
37	Del Liceo de Pavas 200 Oeste, 100 Norte Zip Code 1035-1200, San José, Costa Rica.
38	C.M. El Trovador No. 4280, Of 1205, Las Condes, Suc. Cerro Portezuelo 9901, Quilicura, Santiago, Chile.
39	Carrera 7 No 71-52, Torre A Piso 5, Bogota, Colombia.
40	Parque Industrial Costa del Este Calle Avenida Principal y 3ra Lote 88. Corregimiento, Parque Lefevre 0819-01869, Panama.
41	Avenida Petapa 52-20, Zona 12, Guatemala.
42	23 Avenida 34-61, Zona 12, Colonia Santa Elisa, Ciudad de Guatemala, CP. 01012, Guatemala.

36. Group entities (continued)

Registered Office (continued)

43	Calle L-3, Numero 10-B, Complejo Industrial Merliot Blvd Si-Ham, Antiguo Cuscatlan, Ciudad Merliot, La Libertad, CP. 1502, El Salvador.
44	No 618, Moo 4, Bangpoo Industrial Estate, Praksa Sub District, Muang District, Samutprakarn Province, Thailand.
45	GF/SFB#1, Mactan Economic Zone 1, Lapulapu City, Cebu, Philippines.
46	5th Ave Bgc, Taguig, Metro Manila, Philippines.
47	8 Biomedical Grove, #02-01/04 Neuros, Singapore 138665, Singapore.
48	Suite 1301, 13th Floor, City Plaza, Jalan Tebrau, 80300 Johor Bahru, Johor, Malaysia.
49	Kamiyacho Sankei Building. 2F, 1-7-2, Azabudai 1-chome, Minato-ku, Tokyo 106-0041, Japan.
50	Renhne Industry Zone, Jiulong Village, Hangzhou, China.
51	Room 248, Ximmao Building, 2 Tai Zhong Road South, Waigaoqiao Free Trade Zone, Shanghai, China.
52	North side of Xiang, Jiang Road, RuDong County, Nantong, China.
53	Dujiashan, Huayang, Jurong, Jiangsu Province, China.
54	26 Tai Ping Qiao Industry Park, Xin'an, Deqing Country, Zheijiang Province, China.
55	North side of XinYe Road, West side of LiDaXian, DaChang Industrial District, LangFang City, HeBei Province, China.
56	Olympic Building, Ramsis Extension St., 6th District, Nasr City, Cairo, Egypt.
57	JL Industri Utama Blok SS No. 6, Jababeka II Mekarmukti, Cikarang Utara, Bekasi 17520, Indonesia.
58	Unit No. 302, 3rd Floor, Ecospace Campus 3B, Marathahalli – Sarjapur Outer Ring Road, Bellandur, Bangalore – 560103, Karnataka, India.
59	No 8 Holker Street, Newington, NSW 2127, Australia.
60	11-13 Bell Avenue, Otahuhu, Auckland, New Zealand.
61	Avocado Towers, L.R. No 209/1907, Muthithi Road, Nairobi, 00100, Kenya.
62	Block 3, 4-6 Lucas Drive, Hillcrest, Durban, Kwazulu-Natal, South Africa.
63	Stand 372, Angus Cresent, Northlands Business Park, Northriding, 2164, South Africa.
64	9th Fl., Sheenbang Bldg, 1366-18, Seocho-dong, Seocho-Gu, Seoul, 137-863, Republic of Korea.
65	#82 Yuolgum-5gil, Sunghwan-eup, Cheonan-si, Choongchungnam-do, Republic of Korea.
66	PO Box Number: 42511, PC 21551, Jeddah, Al Mehjar, 2nd Industrial City-Jeddah-Kin, Saudi Arabia.
67	PO Box 793, P.C-112, Muscat, Sultanate of Oman, Oman.
68	Me Linh Point Tower, 2 Ngo Duc De Street, Ben Nghe Ward, District 1, Ho Chi Minh City, Vietnam.

FINANCIAL DEFINITIONS

(NOT COVERED BY INDEPENDENT AUDITORS' REPORT)

1. Revenue

Volume growth

This represents the sales growth year-on-year, excluding pass-through pricing on raw material costs, currency impacts, acquisitions (net of disposals) and rationalisation volumes.

Volume growth is an important metric as it is seen as the key driver of top-line business improvement. This is used as the key revenue metric, as Kerry operates a pass-through pricing model with its customers to cater for raw material price fluctuations. Pricing therefore impacts like-for-like revenue growth positively or negatively depending on whether raw material prices move up or down. A full reconciliation to reported revenue growth is detailed in the revenue reconciliation below.

Revenue Reconciliation

2019	**Volume growth**	**Price**	**Transaction currency**	**Acquisitions/ Disposals**	**Translation currency**	**Reported revenue growth**
Taste & Nutrition	4.0%	0.1%	-	5.8%	2.6%	**12.5%**
Consumer Foods	(2.2%)	(0.5%)	-	-	0.3%	**(2.4%)**
Group	2.8%	-	-	4.7%	2.1%	**9.6%**
2018						
Taste & Nutrition	4.1%	(0.5%)	(0.1%)	4.2%	(4.0%)	3.7%
Consumer Foods	1.1%	(0.4%)	(0.3%)	0.8%	(0.6%)	0.6%
Group	3.5%	(0.5%)	(0.1%)	3.6%	(3.4%)	3.1%

2. EBITDA

EBITDA represents profit before finance income and costs, income taxes, depreciation (net of capital grant amortisation), intangible asset amortisation and non-trading items.

	2019 €'m	2018 €'m
Profit after taxation attributable to owners of the parent	**566.5**	540.5
Finance income	**(0.3)**	(0.5)
Finance costs	**81.9**	67.5
Income taxes	**79.4**	77.4
Non-trading items	**110.9**	66.9
Intangible asset amortisation	**64.3**	53.8
Depreciation (net of capital grant amortisation)	**191.4**	134.1
EBITDA	**1,094.1**	939.7

The calculation of EBITDA in 2019 reflects the impact of the adoption of IFRS 16 'Leases', prior year comparatives were not restated.

3. Trading Profit

Trading profit refers to the operating profit generated by the businesses before intangible asset amortisation and gains or losses generated from non-trading items. Trading profit represents operating profit before specific items that are not reflective of underlying trading performance and therefore hinder comparison of the trading performance of the Group's businesses, either year-on-year or with other businesses.

	2019 €'m	2018 €'m
Operating profit	**727.5**	684.9
Intangible asset amortisation	**64.3**	53.8
Non-trading items	**110.9**	66.9
Trading profit	**902.7**	805.6

4. Trading Margin

Trading margin represents trading profit, expressed as a percentage of revenue.

	2019 €'m	2018 €'m
Trading profit	**902.7**	805.6
Revenue	**7,241.3**	6,607.6
Trading margin	**12.5%**	12.2%

5. Operating Profit

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

	2019 €'m	2018 €'m
Profit before tax	**645.9**	617.9
Finance income	**(0.3)**	(0.5)
Finance costs	**81.9**	67.5
Operating profit	**727.5**	684.9

6. Adjusted Earnings Per Share and Growth in Adjusted Earnings Per Share on a Constant Currency Basis

The growth in adjusted earnings per share on a constant currency basis is provided as it is considered more reflective of the Group's underlying trading performance. Adjusted earnings is profit after taxation attributable to owners of the parent before brand related intangible asset amortisation and non-trading items (net of related tax). These items are excluded in order to assist in the understanding of underlying earnings. A full reconciliation of adjusted earnings per share to basic earnings is provided below. Constant currency eliminates the translational effect that arises from changes in foreign currency year-on-year. The growth in adjusted earnings per share on a constant currency basis is calculated by comparing current year adjusted earnings per share to the prior year adjusted earnings per share retranslated at current year average exchange rates.

	2019 EPS cent	2018 EPS cent
Basic earnings per share	**320.4**	305.9
Brand related intangible asset amortisation	**21.4**	16.3
Non-trading items (net of related tax)	**51.9**	31.2
Adjusted earnings per share	**393.7**	353.4
Impact of retranslating prior year adjusted earnings per share at current year average exchange rates	**-**	10.1
Adjusted earnings per share on a constant currency basis	**393.7**	363.5
Growth in adjusted earnings per share on a constant currency basis	**8.3%**	8.6%

7. Free Cash Flow

Free cash flow is trading profit plus depreciation, movement in average working capital, capital expenditure, payment of lease liabilities, pensions costs less pension expense, finance costs paid (net) and income taxes paid.

Free cash flow is seen as an important indicator of the strength and quality of the business and of the availability to the Group of funds for reinvestment or for return to shareholders. Movement in average working capital is used when calculating free cash flow as management believes this provides a more accurate measure of the increase or decrease in working capital needed to support the business over the course of the year rather than at two distinct points in time and more accurately reflects fluctuations caused by seasonality and other timing factors. Average working capital is the sum of each month's working capital over 12 months. Below is a reconciliation of free cash flow to the nearest IFRS measure, which is 'Net cash from operating activities'.

	2019 €'m	2018 €'m
Net cash from operating activities	**763.9**	651.0
Difference between movement in monthly average working capital and movement in the financial year end working capital	**(25.6)**	21.7
Expenditure on acquisition integration and restructuring costs	**89.1**	59.8
Purchase of assets	**(315.6)**	(296.1)
Payment of lease liabilities	**(35.5)**	-
Proceeds from the sale of property, plant and equipment	**32.8**	10.6
Capital grants received	**3.0**	-
Exchange translation adjustment	**2.5**	(0.5)
Free cash flow	**514.6**	446.5

8. Cash Conversion

Cash conversion is defined as free cash flow, expressed as a percentage of adjusted earnings after tax.

	2019 €'m	2018 €'m
Free cash flow	**514.6**	446.5
Profit after taxation attributable to owners of the parent	**566.5**	540.5
Brand related intangible asset amortisation	**37.8**	28.8
Non-trading items (net of related tax)	**91.7**	55.1
Adjusted earnings after tax	**696.0**	624.4
Cash Conversion	**74%**	72%

9. Financial Covenants

The Net debt: EBITDA and EBITDA: Net interest ratios disclosed are calculated in accordance with lenders' facility agreements using an adjusted EBITDA, adjusted finance costs (net of finance income) and an adjusted net debt value to adjust for the impact of non-trading items, acquisitions net of disposals, deferred payments in relation to acquisitions and lease liabilities. As outlined on page 185, these ratios are calculated in accordance with lenders' facility agreements and these agreements specifically require these adjustments in the calculation.

	Covenant	**2019 Times**	2018 Times
Net debt: EBITDA	Maximum 3.5	**1.8**	1.7
EBITDA: Net interest	Minimum 4.75	**13.2**	14.7

10. Average Capital Employed

Average capital employed is calculated by taking an average of the shareholders' equity and net debt over the last three reported balance sheets plus an additional €527.8m relating to goodwill written off to reserves pre conversion to IFRS.

	2019 €'m	H1 2019 €'m	2018 €'m	H1 2018 €'m	2017 €'m
Shareholders' equity	**4,562.2**	4,186.5	4,034.4	3,773.6	3,573.2
Goodwill amortised (pre conversion to IFRS)	**527.8**	527.8	527.8	527.8	527.8
Adjusted equity	**5,090.0**	4,714.3	4,562.2	4,301.4	4,101.0
Net debt	**1,862.8**	1,918.2	1,623.5	1,403.3	1,341.7
Total	**6,952.8**	6,632.5	6,185.7	5,704.7	5,442.7
Average capital employed	**6,590.3**		5,777.7		

11. Return on Average Capital Employed (ROACE)

This measure is defined as profit after taxation attributable to owners of the parent before non-trading items (net of related tax), brand related intangible asset amortisation and finance income and costs expressed as a percentage of average capital employed.

	2019 €'m	2018 €'m
Profit after taxation attributable to owners of the parent	**566.5**	540.5
Non-trading items (net of related tax)	**91.7**	55.1
Brand related intangible asset amortisation	**37.8**	28.8
Net finance costs	**81.6**	67.0
Adjusted profit	**777.6**	691.4
Average capital employed	**6,590.3**	5,777.7
Return on average capital employed	**11.8%**	12.0%

12. Total Shareholder Return

Total shareholder return represents the change in the capital value of Kerry Group plc shares plus dividends in the financial year.

	2019	2018
Share price (1 January)	€86.50	€93.50
Interim dividend (cent)	**23.5**	21.0
Dividend paid (cent)	**49.2**	43.9
Share price (31 December)	**€111.10**	€86.50
Total shareholder return	**29.3%**	(6.8%)

13. Market Capitalisation

Market capitalisation is calculated as the share price times the number of shares issued.

	2019	2018
Share price (31 December)	**€111.10**	€86.50
Shares in issue ('000)	**176,514.9**	176,298.4
Market capitalisation (€'m)	**19,610.8**	15,249.8

14. Enterprise Value

Enterprise value is calculated as per external market sources. It is market capitalisation plus reported borrowings less total cash and cash equivalents.

15. Net Debt

Net debt comprises borrowings and overdrafts, interest rate derivative financial instruments and cash at bank and in hand. See full reconciliation of net debt in note 23 to the financial statements on pages 182-184.