Kerry Group Interim Report & Accounts 2002

KERRY

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

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

financial highlights

Sales increased by 34.3% to €1.8 billion.

Like-for-like sales growth of 5%.

Operating profit* increased by 18.7% to €128 million.

Restructuring costs of €25.5 million.

Adjusted profit after tax* up 23.4% to €77.4 million.

Adjusted earnings per share increased by 14.8% to 41.8 cent.

FRS3 earnings per share reduced from 31.8 cent to 20.2 cent.

Interim dividend per share up 12.3% to 3.65 cent.

* *Before goodwill and exceptionals*

chairman's statement

Results

Kerry delivered a good performance in the first half of 2002, demonstrating again the strength of the Group's broad technology, customer and geographic base. Despite difficulties arising from international market developments in some sectors, operating profit before goodwill amortisation and exceptionals increased by 18.7% to €128m. This reflects strong business development in all Group operations and good progress in the integration of 2001 acquisitions. Turnover increased by 34.3% to €1.8 billion, with like-for-like sales showing a 5% increase compared to the first half of 2001 when account is taken of acquisitions, divestitures and foreign exchange fluctuations. As signalled at year-end, due to the business profile of Group acquisitions in 2001 – in particular Golden Vale, and the on-going restructuring and integration programme connected with the respective business units, the Group operating margin decreased from 8.1% in the first half of 2001 to 7.1% in the period under review.

Adjusted profit after tax increased by 23.4% to €77.4m which, allowing for the increased number of shares in issue, contributed a 14.8% increase in earnings per share to 41.8 cent. Equivalently, pre-application of the new FRS19 reporting standard on deferred tax, this result would have increased earnings per share by 13.4%. Basic FRS3 earnings per share decreased by 36.5% to 20.2 cent. Assisted by on-going strong cash generating capability, the Group continued to invest significant resources in existing businesses and in strategic bolt-on investments. In particular good progress was achieved in advancing the Group's convenience foods, culinary, nutrition, foodservice and global flavour business development objectives.

Operations Review

Ireland and Rest of Europe

Sales originating from Irish based operations almost doubled to €627.1m, boosted primarily by the acquisition of Golden Vale which was concluded at the end of September 2001. Operating profit increased from €18.9m to €26.9m. European operations (excluding Ireland) increased sales by 10.5% to €628.3m while operating profits increased by 8.7% to €43.9m.

Kerry Foods again achieved good growth in its branded categories. In Ireland a strong performance was achieved in pre-packed sliced meats, rashers, cheese and cheese-snacks. The division's dedicated foodservice business unit also made excellent progress since its launch in 2001. Integration of businesses connected with the Golden Vale acquisition has progressed satisfactorily and will be substantially completed by year-end. The sale of the Bailieboro and Artigarvan based dairy processing operations was completed during the period under review. However margins in the dairy sector were impacted by

difficulties in international dairy markets - with changes in input pricing lagging reduced output prices.
In the UK, Wall's and Richmond brands again grew market share. Good progress was also made through prepared meals and microwaveable convenient offerings. Kerry Foods Direct to Store had an excellent first half - having further extended its market positioning through the acquisition of the Pork Farms Bowyers Van Sales operation.

In European ingredients markets excellent progress was achieved due to the on-going expansion of the prepared foods industry. Development in coatings was constrained due to the difficulties experienced by fish processors and to a lesser extent the poultry industry - in particular in the UK and France.
However on-going development of the division's foodservice business in the quick-serve restaurant sector proved satisfactory. The Voyager Foods (UK) and Aromont (France) acquisitions performed well, successfully extending Kerry's position as a pan-European provider of culinary systems and ready-to-use ingredient solutions. The European snack sector continued to grow and Kerry recorded good progress especially in Eastern Europe.

Americas

Sales in American markets increased by 22% to €473.5m. While the 2001 acquisition programme contributed to this strong performance, organic growth in Kerry's core businesses again proved satisfactory. Operating profits increased by 18.1% to €52.8m.

In the USA, subsequent to the high level of food industry consolidation in 2000 and 2001, food companies that have successfully progressed integration of acquired businesses are again engaging in significant new product developments. This momentum has already provided new opportunities in key Kerry growth sectors, including ready-to-eat breakfast cereals, nutritional products, health and energy bars, where Kerry divisions have a strong focus and a range of technologies. Such sectors are exhibiting growth rates in excess of 20% year-on-year. Kerry is also realising good progress through its focus on the natural food and organic sectors which are also dynamic growth categories.

Kerry's U.S. specialty ingredients division performed in line with expectations. Growth in the seasonings sector was impacted by processor consolidation which resulted in a number of delayed market development initiatives. The US$3m expansion and upgrade of the Sturtevant seasonings facility was completed. The new Calhoun Georgia US$22m coatings facility is also on target for full commissioning in the second half of 2002. Higher cereal raw material costs led to lower margins in coatings and foodservice applications. However the dynamics of foodservice markets remain positive. With the continued growth of

hand-held foods, the commercialisation of Kerry's FlavorCore™ patented sauce filling cold forming extrusion technology has attracted industry wide interest for appetiser, hand-held and centre-of-plate applications. Kerry's sweet ingredients division again benefited from the growth in the nutritional and energy sectors. The Nutriant™ division, combining the Solnuts and Iowa Soy businesses, was successfully launched and has made good progress through its range of nutritional ingredients ranging from nut replacements, nutritional additives, vegetarian products, specialist soy systems and organic lines.
Kerry Canada continued to achieve good growth, particularly in the speciality ingredients sector. In Mexico progress in snack and convenience sectors was very encouraging. In Brazil, integration of the Siber and Nutrir businesses acquired in 2001 is well advanced. Good progress was achieved through sweet inclusions and flavours in the ice-cream and dairy product sectors and through seasonings in the meat industry. Market development in Peru and Equador is also progressing well through export of added value products from Brazil.

Asia Pacific

Growth and development in Asia Pacific markets proved satisfactory with sales increased by 9.9% to €70.9m and operating profits increased by 13.4% to €4.4m.

Australia showed a good recovery with encouraging business development across seasonings for meat and poultry applications and Pinnacle branded bakery ingredients. Progress continued in the quick-serve-restaurant sectors in Australia and New Zealand. Asian markets remain difficult due to prevailing economic conditions in major markets. However Kerry's core business performed well. Market development opportunities in the Philippines, China, Vietnam and Thailand continue to be progressed.

Development

In the first half of 2002 the Group further progressed its development strategy by adding a range of new technologies and product offerings.

Reflecting the Group's focus on becoming the premier flavour supplier dedicated to food and beverage markets, and its worldwide service and flavour development capabilities, 'Mastertaste' - the Group's new global flavour division, was launched at the Institute of Food Technology (IFT) Annual Meeting and Expo in Anaheim, California in June.

Mastertaste (now headquartered in Rosemont, Chicago, USA, with flavour development facilities located in; New Jersey, Los Angeles, Madison (WI), Greenville Missouri, Brentwood and Crossville Tennessee, USA; Cam, UK; Turin and Druento, Italy; Rodgau, Germany; and Sydney, Australia) brings together under a common identity, focus and strategy the following flavour businesses acquired by Kerry; Mastertaste (UK), the former Burns Philp flavours business (Australia), San Giorgio Flavors (Italy), The Geneva Group (USA) and Hickory Specialties Inc. (USA).

Mastertaste has realigned the constituent businesses within their primary sweet and savoury sectors and the division is now focused on further global expansion and technical development within these sectors.

Since year-end 2001 the Group has also concluded the following acquisitions at a total cost of €125m.

(a) Ingredients Businesses.

Industrial Deshidratadora, S.A. de C.V. (IDSA)

In Mexico the acquisition of IDSA significantly expands the Group's ingredients offering to convenience segments of the food manufacturing, foodservice and retail sectors. IDSA is the largest producer of convenience blends in Mexico and is also a leading supplier of tomato powders. The acquired business expands Kerry's product offering to include spray-dried fruit preparations for instant beverages, dairy applications, ready-to-eat cereals, cereal bars and mueslis. In addition IDSA has also developed a strong retail branded franchise, including Benedik Coffee and Lautrec coffee creamer. Operating from two manufacturing facilities in San Juan del Rio and Mexico City, the acquisition complements Kerry's business from its existing Irapuato facilities.

Ringger Foods

Ringger Foods (USA) is a leader in the development and manufacture of speciality extruded food ingredients, which provide nutritional fortification, texture and flavour, including rice crisps used in granola, cereal and candy applications; cookie pieces for confectionery, granola bars and cereals; and soy crisps containing high protein soya. The acquired business operating from two facilities located in Gridley, Illinois, extends Kerry's market leadership in North American extruded ingredients markets, complementing the Group's acquisition of SPI Foods Inc., acquired in 2001.

Roskam Cereal & Agglomerates

In a further development of Kerry's sweet ingredients business in the U.S. market, the Group also concluded the acquisition of the Roskam cereal agglomerates business based in Grand Rapids, Michigan. The business, which is being integrated with the Group's existing sweet ingredients facilities in New Century, Kansas, broadens Kerry's capabilities in cereal and snack growth sectors.

Stearns & Lehman Inc.

The acquisition of Stearns & Lehman, a leading manufacturer of coffeehouse chain, foodservice, and branded Italian-style flavoured syrups, beverage flavourings and toppings for the speciality coffee and beverage industries, was also concluded since year-end. The acquired business, which is one of the largest flavouring syrup manufacturers in the world and the leading private label manufacturer of Italian-style syrups in the U.S., Canada, Europe and the Pacific Rim, operates from manufacturing facilities in Mansfield, Ohio; Kent, Washington; and Richmond (B.C.), Canada.

(b) Consumer Foods.

Deli Products

In Ireland, the acquisition of Deli Products represents a further development in terms of Kerry Foods' targeted servicing of the snack and convenience requirements of the fast-growing foodservice sector including sandwich bars and the hot & cold serve-over counter trade.

Northern Foods (Van Sales Service)

Kerry Foods Direct to Store - the leading distributor of chilled snacks to independent retail and convenience stores in the UK, further extended its market positioning through the acquisition of the Pork Farms Bowyers van sales operation from Northern Foods plc. Through this transaction Pork Farms will be the exclusive brand for pastry and fried products to be distributed through the enlarged van sales business. The acquisition further strengthens Kerry Foods' branded leadership in the UK sausage sector through the addition of the Porkinsons brand and the use of the Bowyers brand under licence.

Finance

Net cash flow from operating activities more than doubled to €76.1m, notwithstanding the seasonal increase in working capital. Group borrowings amounted to €897.6m compared to €658.6m at the end of the first half of 2001 and €818.9m at year-end. Accordingly the ratio of debt to EBITDA was similar to the year-end 2001 level at a comfortable 2.5 times, while the level of debt expressed as a percentage of market capitalisation stood at 32% compared to 28% at the end of the first six months of 2001. Interest charges increased to €26.7m compared to €22.0m for the same period last year, with EBITDA to net interest covered 6.9 times (H1 2001: 6.8 times).

Financial Reporting Standard 19 - 'Deferred Tax' (FRS19) is applicable to the Group for the first time in the period under review. FRS19 requires deferred tax to be accounted for on a full provision basis on all timing differences that have originated but not reversed by the balance sheet date, except as otherwise required by the standard. Accordingly, results for prior periods have been restated in line with the new standard. In summary, the current taxation charge in each of the three periods under review was approximately 25% of normal trading profits. The FRS19 restatement has had the effect of adding a further 5% charge against profits, but has no cash impact.

As announced at year-end, the Board approved an integration and rationalisation plan at a cost of €52m for businesses connected with the 2001 acquisitions. This programme is well advanced at a cost in the period of €25.5m, of which €13.6m relates to cash spent - including redundancy and contract compensation, plant closure and relocation expenses. The programme, which will be substantially completed by year-end, will deliver significant efficiencies with a positive impact on earnings.

The basic weighted average number of ordinary shares in issue for the period was 185,184,512 (half year ended 30 June 2001: 172,426,880; year-ended 31 December 2001: 175,674,473). The diluted weighted average number of ordinary shares in issue for the period was 186,439,440 (half year ended 30 June 2001: 173,577,567; year-ended 31 December 2001: 176,870,079).

Dividend

The Board has declared an interim dividend of 3.65 cent per share, an increase of 12.3% on the 2001 interim dividend of 3.25 cent per share. The interim dividend will be paid on 29 November 2002 to shareholders on the record date 1 November 2002.

Current Trading and Outlook

Building on the first half performance, the Group is confident of a good outturn for the full year with overall performance in line with market expectations and Group projections. Re-organisation and integration of businesses connected with 2001 acquisitions is progressing very well, with encouraging prospects for new business development. Kerry's focus on sectoral growth opportunities in prepared foods, snack and convenient products, culinary systems, food and beverage flavours, nutritional products and foodservice markets, combined with its broad technology, geographical and customer base, augurs well for the sustained profitable growth of the Group.

Denis Brosnan
Chairman
3 September, 2002

Consolidated Profit and Loss Account

for the half year ended 30 June 2002

	Half year ended 30 June 2002 Unaudited Pre exceptional items €'000	Half year ended 30 June 2002 Unaudited Exceptional items €'000	Half year ended 30 June 2002 Unaudited Total €'000	Half year ended 30 June 2001 Unaudited Restated €'000	Year ended 31 Dec. 2001 Audited Restated €'000
Turnover					
Continuing operations	**1,799,838**	**–**	**1,799,838**	1,339,670	3,002,781
Operating profit - continuing operations					
Before goodwill amortisation and exceptional items	**127,963**	**–**	**127,963**	107,848	260,445
Goodwill amortisation	**20,202**	**–**	**20,202**	8,775	23,367
Exceptional restructuring costs	**–**	**25,524**	**25,524**	–	8,097
Operating profit	**107,761**	**(25,524)**	**82,237**	99,073	228,981
Profit on sale of businesses	**–**	**1,789**	**1,789**	–	6,205
(Loss) / profit on sale of fixed assets	**–**	**(31)**	**(31)**	876	2,187
Interest payable and similar charges	**26,652**	**–**	**26,652**	21,968	47,644
Profit before taxation	**81,109**	**(23,766)**	**57,343**	77,981	189,729
Taxation - current	**19,965**	**(2,146)**	**17,819**	19,229	47,204
- deferred	**3,936**	**(1,730)**	**2,206**	3,917	9,391
Profit after taxation and attributable to ordinary shareholders	**57,208**	**(19,890)**	**37,318**	54,835	133,134
Dividends	**6,802**	**–**	**6,802**	5,604	18,491
Retained profit for the period	**50,406**	**(19,890)**	**30,516**	49,231	114,643
Earnings per ordinary share (cent) - note 2					
- basic before goodwill amortisation and exceptional items			**41.8**	36.4	87.9
- basic after goodwill amortisation and exceptional items			**20.2**	31.8	75.8
- fully diluted after goodwill amortisation and exceptional items			**20.0**	31.6	75.3

Consolidated Balance Sheet

as at 30 June 2002

	30 June 2002 Unaudited €'000	30 June 2001 Unaudited Restated €'000	31 Dec. 2001 Audited Restated €'000
Fixed assets			
Tangible assets	**844,418**	721,248	885,773
Intangible assets	**690,074**	345,319	685,941
	1,534,492	1,066,567	1,571,714
Current assets			
Stocks	**406,769**	329,040	362,173
Debtors	**570,101**	402,764	515,063
Cash at bank and in hand	**30,521**	24,802	19,794
	1,007,391	756,606	897,030
Creditors: Amounts falling due within one year	**(883,191)**	(740,354)	(775,579)
Net current assets	**124,200**	16,252	121,451
Total assets less current liabilities	**1,658,692**	1,082,819	1,693,165
Creditors: Amounts falling due after more than one year	**(815,102)**	(494,560)	(857,674)
Provisions for liabilities and charges	**(46,562)**	(33,665)	(41,143)
	797,028	554,594	794,348
Capital and reserves			
Called-up equity share capital	**23,180**	21,554	23,125
Capital conversion reserve fund	**340**	340	340
Share premium account	**361,333**	193,690	357,873
Profit and loss account	**378,804**	315,709	376,208
	763,657	531,293	757,546
Deferred income	**33,371**	23,301	36,802
	797,028	554,594	794,348

Consolidated Cash Flow Statement

for the half year ended 30 June 2002

	Half year ended 30 June 2002 Unaudited €'000	Half year ended 30 June 2001 Unaudited €'000	Year ended 31 Dec. 2001 Audited €'000
Operating profit before goodwill amortisation and exceptional items	**127,963**	107,848	260,445
Depreciation (net)	**45,040**	34,699	70,438
Change in working capital	**(93,399)**	(114,321)	(34,473)
Exchange translation adjustment	**(3,538)**	2,115	453
Net cash inflow from operating activities	**76,066**	30,341	296,863
Return on investments and servicing of finance	**(25,438)**	(21,141)	(45,732)
Taxation	**(15,941)**	(17,927)	(44,298)
Capital expenditure			
Purchase of tangible fixed assets	**(48,673)**	(49,446)	(95,647)
Proceeds on the sale of fixed assets	**69**	3,135	5,641
Development grants received	**264**	–	993
Acquisitions and disposals			
Purchase of subsidiary undertakings	**(124,985)**	(70,264)	(599,422)
Proceeds on the sale of businesses	**34,034**	–	22,049
Deferred creditors paid	**(2,754)**	(16)	(30)
Exceptional restructuring costs	**(13,591)**	–	(8,097)
Consideration adjustment on previous acquisitions	**–**	–	475
Equity dividends paid	**(12,513)**	(10,570)	(16,574)
Cash outflow before the use of liquid resources and financing	**(133,462)**	(135,888)	(483,779)
Financing			
Issue of share capital	**3,515**	40	165,794
Increase in debt due within one year	**112,025**	177,343	36,590
Increase / (decrease) in debt due after one year	**28,649**	(44,688)	273,194
Increase / (decrease) in cash in the period	**10,727**	(3,193)	(8,201)

Reconciliation of Net Cash Flow to Movement in Net Debt

for the half year ended 30 June 2002

Increase / (decrease) in cash in the period	**10,727**	(3,193)	(8,201)
Cash flow from debt financing	**(140,674)**	(132,655)	(309,784)
Change in net debt resulting from cash flows	**(129,947)**	(135,848)	(317,985)
Exchange translation adjustment	**51,275**	(44,386)	(22,592)
Movement in net debt in the period	**(78,672)**	(180,234)	(340,577)
Net debt at beginning of period	**(818,924)**	(478,347)	(478,347)
Net debt at end of period	**(897,596)**	(658,581)	(818,924)

Statement of Total Recognised Gains and Losses

for the half year ended 30 June 2002

	Half year ended 30 June 2002 Unaudited €'000	Half year ended 30 June 2001 Unaudited Restated €'000	Year ended 31 Dec. 2001 Audited Restated €'000
Profit attributable to ordinary shareholders	**37,318**	54,835	133,134
Exchange translation adjustment on foreign currency net investments	**(27,920)**	1,604	(3,309)
Total recognised gains and losses relating to the period	**9,398**	56,439	129,825
Prior year adjustment - deferred tax	**(36,063)**		
Total gains and losses recognised since last annual report	**(26,665)**		

Reconciliation of Movements in Share Capital and Reserves

for the half year ended 30 June 2002

	Share Capital and Premium €'000	**Capital Conversion Reserve Fund €'000**	**Profit & Loss Account Restated €'000**	**Total Restated €'000**
At beginning of period	380,998	340	412,271	793,609
Prior year adjustment - deferred tax	–	–	(36,063)	(36,063)
Adjusted opening balance	380,998	340	376,208	757,546
Retained profit	–	–	**30,516**	**30,516**
Share issue	**3,515**	–	–	**3,515**
Exchange translation adjustment	–	–	**(27,920)**	**(27,920)**
At end of period	**384,513**	**340**	**378,804**	**763,657**

The Profit & Loss Account figures comprise the following:

	Intangible Assets Written Off €'000	**Retained Profits Restated €'000**	**Profit & Loss Account Restated €'000**
At beginning of period	(438,298)	850,569	412,271
Prior year adjustment - deferred tax	–	(36,063)	(36,063)
Adjusted opening balance	(438,298)	814,506	376,208
Retained profit	**(20,202)**	**50,718**	**30,516**
Exchange translation adjustment	**–**	**(27,920)**	**(27,920)**
At end of period	**(458,500)**	**837,304**	**378,804**

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

Notes to the Interim Report

for the half year ended 30 June 2002

1. Analysis of results by region

	Half year ended 30 June 2002 Unaudited		Half year ended 30 June 2001 Unaudited		Year ended 31 Dec. 2001 Audited	
	Turnover €'000	**Operating Profit €'000**	Turnover €'000	Operating Profit €'000	Turnover €'000	Operating Profit €'000
By geographical market of origin:						
Ireland	**627,115**	**26,887**	318,525	18,870	883,267	45,075
Rest of Europe	**628,318**	**43,900**	568,500	40,396	1,183,774	98,524
Americas	**473,514**	**52,769**	388,127	44,697	801,728	105,324
Asia Pacific	**70,891**	**4,407**	64,518	3,885	134,012	11,522
	1,799,838	**127,963**	1,339,670	107,848	3,002,781	260,445
Goodwill amortisation	**–**	**(20,202)**	–	(8,775)	–	(23,367)
Exceptional restructuring costs	**–**	**(25,524)**	–	–	–	(8,097)
	1,799,838	**82,237**	1,339,670	99,073	3,002,781	228,981

	Turnover €'000	Turnover €'000	Turnover €'000
By destination:			
Ireland	**322,400**	221,655	520,707
Rest of Europe	**868,939**	634,665	1,422,996
Americas	**503,961**	402,924	873,436
Asia Pacific	**104,538**	80,426	185,642
	1,799,838	1,339,670	3,002,781

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

2. Earnings per share

	Half year ended 30 June 2002 Unaudited		Half year ended 30 June 2001 Unaudited Restated		Year ended 31 Dec. 2001 Audited Restated	
	EPS cent	**€'000**	EPS cent	€'000	EPS cent	€'000
Adjusted earnings before FRS19*	**43.9**	**81,346**	38.7	66,651	94.6	166,260
Deferred tax - FRS19	**2.1**	**3,936**	2.3	3,917	6.7	11,789
Adjusted earnings**	**41.8**	**77,410**	36.4	62,734	87.9	154,471
Goodwill amortisation	**10.9**	**20,202**	5.1	8,775	13.3	23,367
Exceptional items (net of tax)	**10.7**	**19,890**	(0.5)	(876)	(1.2)	(2,030)
Profit after tax, goodwill amortisation and exceptional items	**20.2**	**37,318**	31.8	54,835	75.8	133,134
Share option dilution	**0.2**	**–**	0.2	–	0.5	–
	20.0	**37,318**	31.6	54,835	75.3	133,134

The basic weighted average number of ordinary shares in issue for the period was **185,184,512** (half year ended 30 June 2001: 172,426,880; year ended 31 December 2001: 175,674,473). The diluted weighted average number of ordinary shares in issue for the period was **186,439,440** (half year ended 30 June 2001: 173,577,567; year ended 31 December 2001: 176,870,079). The dilution arises in respect of executive share options outstanding.

In addition to the basic and diluted earnings per share two additional earnings per share calculations are provided as they more accurately reflect the Group's underlying trading performance. These are described below:

**Adjusted earnings per share is calculated as profit after tax, before goodwill amortisation and exceptional items divided by the weighted average number of ordinary shares.

*Adjusted earnings per share before FRS19 is adjusted earnings as defined above before the adoption of FRS19 (i.e. as previously reported). This measure is given to show the impact of adopting the new deferred tax standard.

3. Exceptional items

	Half year ended 30 June 2002 Unaudited €'000	Half year ended 30 June 2001 Unaudited €'000	Year ended 31 Dec. 2001 Audited Restated €'000
Exceptional restructuring costs	**(25,524)**	–	(8,097)
Profit on sale of businesses	**1,789**	–	6,205
(Loss) / profit on sale of fixed assets	**(31)**	876	2,187
	(23,766)	876	295
Taxation effect of exceptional items:			
- current	**2,146**	–	275
- deferred	**1,730**	–	1,460
	(19,890)	876	2,030

The exceptional restructuring costs relate to the integration of the Golden Vale Group and the other acquisitions completed by the Group during 2001. These costs can be analysed as follows:

	€'000
Redundancies and contract compensation	**14,452**
Plant closure / relocation expenses	**3,999**
Plant and other assets written off	**5,901**
Other	**1,172**
	25,524

During the six months ended 30 June 2002 the Group disposed of a number of businesses in Ireland and the UK. These included the Bailieboro and Artigarvan milk processing businesses, which were acquired in 2001 as part of the Golden Vale Group, and the UK Fried Products business based in Poole, UK.

4. Businesses acquired

The Group completed a number of acquisitions during the period at a total cost of €125m.

The acquisition of **Industrial Deshidratadora S.A. de C.V. (IDSA),** which is based in Mexico, was completed in May 2002. The company employs in excess of 250 people and is Mexico's largest producer of convenience blends with a product range including tomato powders, spray-dried fruit preparations for instant beverages and dairy applications.

Ringger Foods, a speciality extruded ingredients manufacturer operating from two facilities in Gridley, Illinois was acquired in February 2002. Its principal market is the U.S. and its product range includes rice crisps, cookie pieces and soy crisps.

Acquired in April 2002, **Roskam,** a cereal and agglomerates business based in Grand Rapids, Michigan and employing in excess of 80 people, broadens Kerry's capabilities in cereal and snack growth sectors.

Stearns & Lehman Inc., a speciality ingredients company with manufacturing facilities in the U.S. and Canada was acquired in March 2002. The company produces and markets more than 140 syrups, dressings, specialty sugars and toppings and is the leading private label manufacturer of Italian-style syrups in the U.S., Canada, Europe and the Pacific Rim.

Deli Products, a manufacturer and distributor of chilled convenience 'food-to-go' was acquired in January 2002. Based in Dublin, the business services the fast-growing foodservice sector.

Northern Foods Van Sales business, which was acquired in March 2002, further strengthens Kerry Foods' branded leadership in the UK convenient foods sector.

5. Accounting policies

These accounts have been prepared using the same accounting policies detailed in the 2001 annual financial statements with the exception of Financial Reporting Standard 19 - 'Deferred Tax' (FRS19) which is applicable to the Group for the first time in the half year ended 30 June 2002 (see note 6). In adopting FRS19 the Group has chosen to discount deferred tax assets and liabilities.

6. Deferred tax

These accounts reflect the adoption of FRS19 which requires deferred tax to be accounted for on a full provision basis on all timing differences that have originated but not reversed by the balance sheet date, except as otherwise required by the standard.

Prior year results have been restated in line with the new standard and the effect on the Group is as follows: Profit after tax for the periods ended 30 June 2001 and 31 December 2001 decreased by €3.9m to €54.8m and €10.3m to €133.1m respectively. Net assets for the same periods decreased by €30.8m to €554.6m and €36.1m to €794.3m.

The restated deferred tax charge in the Profit and Loss Account for the year ended 31 December 2001 is comprised as follows:

		Year ended 31 Dec. 2001 Audited Restated
	€'000	€'000
As previously reported		(938)
Prior year adjustment FRS19:		
- on ordinary activities	11,789	
- on exceptional items	(1,460)	10,329
		9,391

7. Interim accounts

These accounts are not full accounts and except where indicated are unaudited. Full accounts to 31 December 2001, which received an unqualified audit report, have been filed with the Registrar of Companies.

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