

# **KERRY GROUP ANNUAL REPORT 2015**

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Global Leader in Taste & Nutrition

Kerry Group is global leader in Taste and Nutrition serving the food, beverage and pharmaceutical industries, and a leading supplier of added value brands and customer branded foods to the Irish, UK and selected international markets.

With revenues of circa €6 billion, the Group employs some 23,000 people and serves a global customer base in over 140 countries. The Group is headquartered in Tralee, Ireland and is listed on the Dublin (KYGa.I) and London Stock Exchanges (KYGa.L).

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## Discover our Taste & Nutrition evolution

Kerry Taste & Nutrition has successfully evolved from our industry-leading Ingredients & Flavours positioning.

The future of food and beverage

[\*\*+\*\* Read More Our Strategy pg14](#)



# Highlights of the year

## **+ Read More**

Details of the Group's business performance in 2015 are presented in the Chief Executive's Review **pg8** and in the Business Reviews **pgs28-37**

# Continued Growth

- Record year of Group business development
- Kerry business model outperforming market growth rates
- Continued business margin expansion and earnings growth
- Changing marketplace continues to drive a strong pipeline of innovation and demand for Kerry's Taste & Nutrition Technologies and Systems
- Repositioned Kerry Foods portfolio delivering in a rapidly changing consumer foods marketplace
- The Board recommends a final dividend of 35 cent per share (an increase of 11.1% on the final 2014 dividend) payable on 13 May 2016 to shareholders registered on the record date 15 April 2016

GROUP REVENUE OF

**€6.1 billion**

TRADING PROFIT UP 10% TO

**€700 million**

ADJUSTED EPS\* UP 8.2% TO

**301.9 cent**

BASIC EPS UP 9.4%

**298.7 cent**

FREE CASH FLOW OF

**€453 million**

TOTAL DIVIDEND PER SHARE UP 11.1% TO

**50.0 cent**

RETURN ON AVERAGE CAPITAL  
EMPLOYED OF

**13.6%**

TOTAL SHAREHOLDER  
RETURN

**35%**

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

## At a glance

[+ Read More](#)

Our Strategy **pg14**

Our Sustainability Review **pg38**

# A Global Leader

### OUR MISSION STATEMENT

Kerry Group will be:

- world leader in Taste and Nutrition serving the food, beverage and pharmaceutical industries, and
- a leading supplier of added value brands and customer branded foods to the Irish, UK and selected international markets.

Through the skills and wholehearted commitment of our employees, we will be leaders in our markets – excelling in product quality, technical and marketing creativity and service to our customers.

We are committed to the highest standards of business and ethical behaviour, to fulfilling our responsibilities to the communities which we serve and to the creation of long-term value for all stakeholders on a socially and environmentally sustainable basis.



132

Manufacturing locations



26

Operations in 26 countries



140

Sales in over 140 countries



800

Scientists

88

23,000

Employees

# Industry leading R&D investment

[\*\*+\*\* Read More](#)

Our Global Technology & Innovation Centre in Naas, Ireland (pictured) allows our customers access to the latest insights and research **pg32**

## Uniquely positioned to meet customer and consumer needs

### ABOUT US

Kerry Group has a well established Strategy for Growth embracing Kerry's global Taste & Nutrition business and Kerry Foods – consumer foods business.

[\*\*+\*\* Read More](#) Our Business Model **pg12** Our Strategy **pg14**

Kerry Taste & Nutrition has successfully evolved from our industry-leading Ingredients & Flavours positioning to become the largest and most technologically advanced developer and provider of taste and nutrition solutions in the world. Kerry has strong customer alliances with leading global, regional and local food, beverage and pharmaceutical companies.

[\*\*+\*\* Read More](#) Our Business Review – Taste & Nutrition **pg28**

Kerry Foods, the Group's consumer foods division, has also established strong strategic and commercial alliances with its retail partners in the Irish, UK and selected international markets. The division's brands are household names in their respective markets including category leading brands such as Richmond, Wall's, Mattessons, Denny, Shaws, Cheestrings, Dairygold and LowLow to name but a few. Kerry Foods is also a leading provider of customer branded chilled foods.

[\*\*+\*\* Read More](#) Our Business Review – Consumer Foods **pg34**

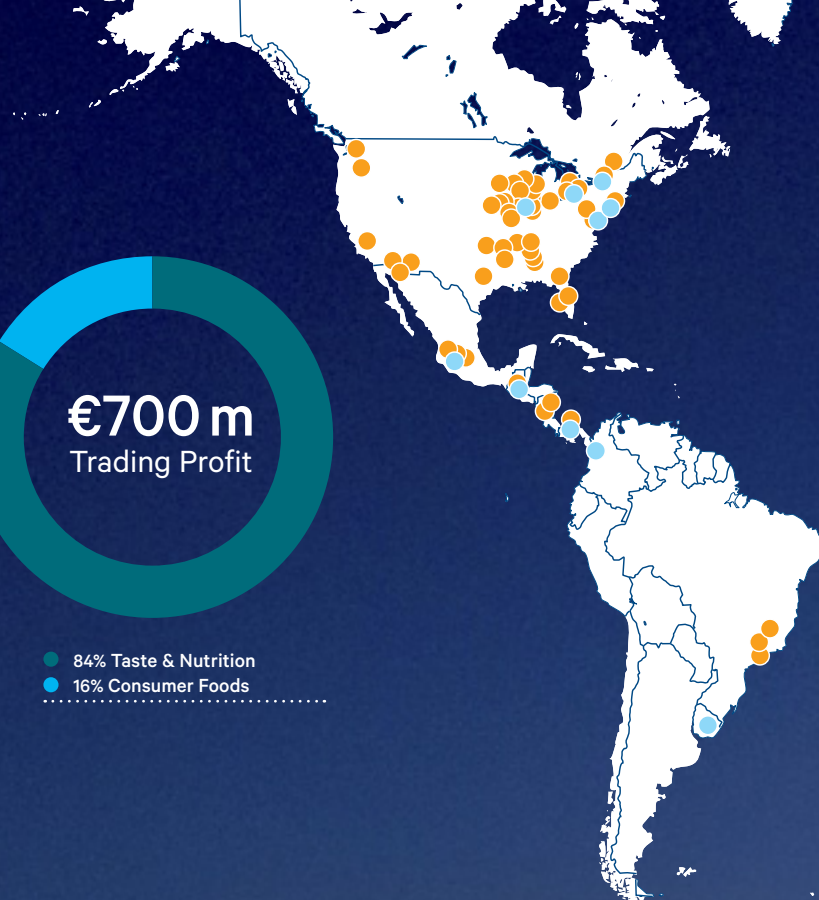




76% Taste & Nutrition  
24% Consumer Foods



84% Taste & Nutrition  
16% Consumer Foods



## Consumer Foods

Kerry Foods is a market leading supplier of added-value branded and customer branded chilled food products to the Irish, UK and selected international markets. Our consumer food products are marketed directly through multiple retailers, convenience stores and through e-commerce channels in our selected markets.

Kerry Foods portfolio of consumer branded products includes over 20 high profile brands across three major market sectors; **Meat & Savoury Products, Meal Solutions and Dairy Products.**

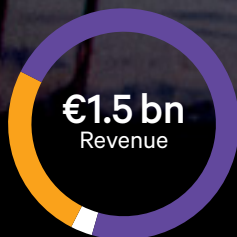
The portfolio includes;

**In Ireland:** Denny, Galtee, Shaws, Dairygold, Cheestrings, Charleville, LowLow

**In the UK:** Richmond, Wall's, Mattessons, LowLow, Pure, Cheestrings

**International:** Cheestrings

The division is also a leading producer of retail private label products including chilled and frozen meals, cooked meats, cheese and dairy products. It has also broadened its 'hot-to-go' offerings and channel distribution in the 'out-of-home' sector – in particular in the leisure and foodservice segments.



### REGION

76% GB  
16% Ireland  
8% Rest of Europe



### PRODUCT

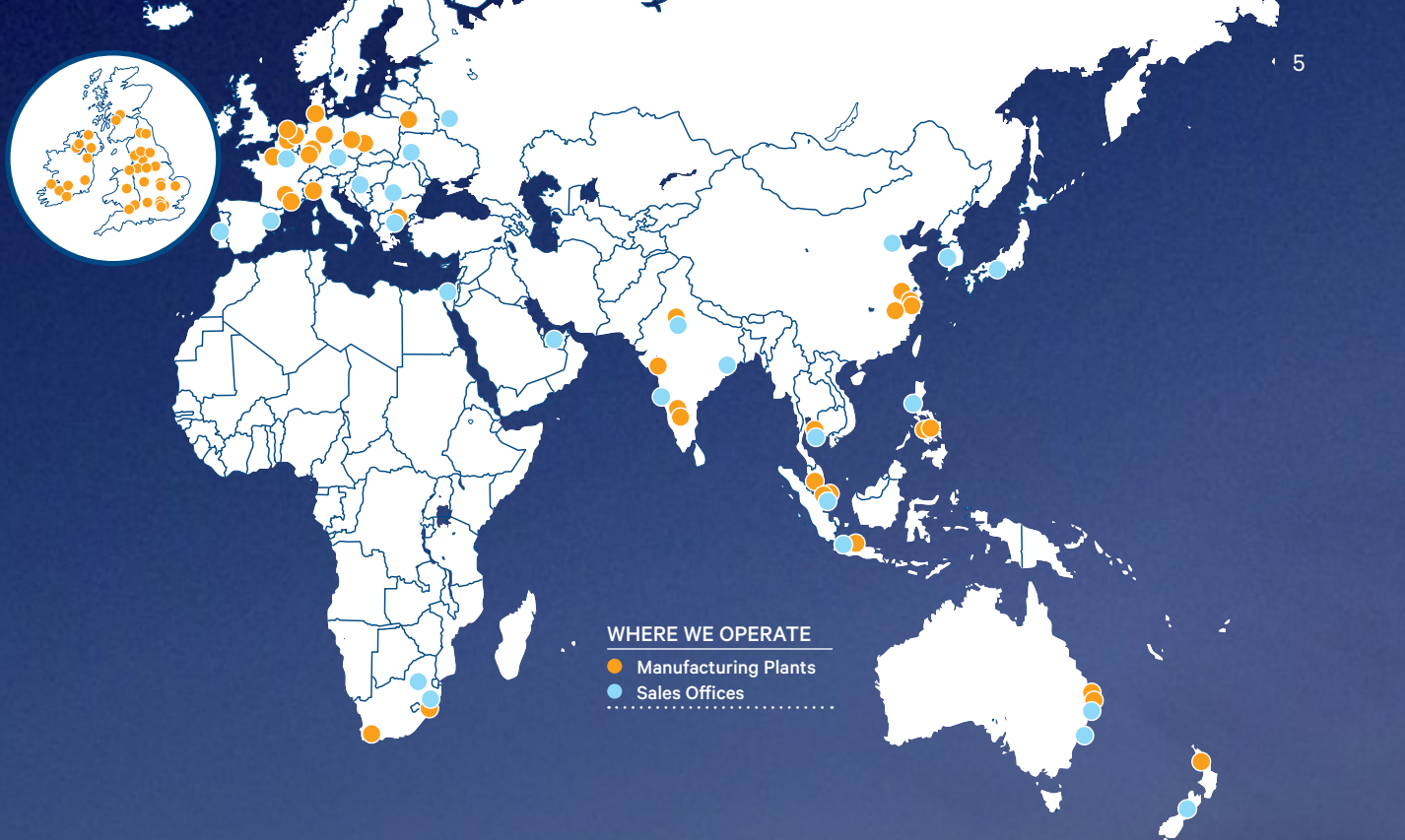
40% Meat & Savoury Products  
30% Meal Solutions  
30% Dairy Products



### CHANNEL

60% Brand  
30% Private Label  
10% Other



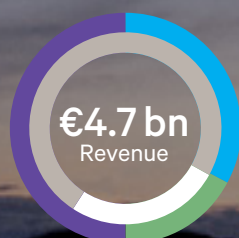


## Taste & Nutrition

Everyday millions of people throughout the world consume food or beverage products incorporating Kerry's Taste & Nutrition technologies or systems.

Kerry Taste & Nutrition is the largest and broadest industry innovation and solutions provider in the fragmented \$65 billion global ingredients and flavours market. With revenues of €4.7 billion in 2015, the division holds approximately 10% global market share.

We are a 'B2B' (Business to Business) taste, nutrition and functional ingredients solutions provider to all sectors of the food, beverage and pharmaceutical markets, including retail and foodservice end-use-market categories served by our customers. Kerry's market leading insight and innovation, food and beverage heritage, science and technology, and applications/culinary excellence, provides the foresight and technology to deliver products that nourish and delight consumers throughout the world.



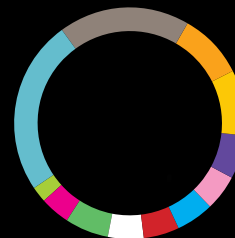
### REGION

- μAmericas
- μEMEA
- μAsia-Pacific
- μDeveloped
- μDeveloping



### TECHNOLOGY

- μSavoury & Dairy Science
- μBeverage Science
- μCereal & Sweet Science
- μPharma & Functional
- μRegional Ingredients



### END USE MARKET

- μBeverage
- μMeats
- μDairy
- μBakery
- μSoups, Sauces & Dressings
- μIce-cream & Desserts
- μPrepared Meals & Side Dishes
- μSavoury Snacks
- μPharma
- μCereal & Bars
- μConfectionery
- μAppetisers

# Chairman's Statement



**Michael Dowling** Chairman

## **+ Read More**

Details of the Group's business performance in 2015 are presented in the Chief Executive's Review **pg8** and in the Business Reviews **pgs28-37**

I am pleased to report that there was a strong performance by all our businesses in 2015 despite the demands of a changing marketplace and a slowdown in economic growth in many developing markets.

Technology and market development were key priorities for the Group in 2015 and our results highlight Kerry's continued success both in achieving organic growth and in broadening our technology portfolio and market positioning through strategic acquisitions. Kerry Group is well positioned to address rapidly evolving consumer needs in terms of health, wellness and convenience requirements, and the changing market landscape driven by consumers across retail, foodservice and e-commerce channels.

## **RESULTS**

Reported revenue grew by 6.1% to €6.1 billion, reflecting 3.8% business volume growth. Adjusted earnings after tax before brand related intangible asset amortisation and non-trading items increased by 8.3% to €531m.

Adjusted earnings per share increased by 8.2% to 301.9 cent (2014 : 278.9 cent). The Group achieved a free cash flow of €453m in 2015 and its financial position remains strong.

## **STRATEGIC DEVELOPMENT**

Kerry's successful business model embraces the Group's global leadership in Taste & Nutrition and Kerry Foods' leadership positioning in its selected consumer foods' markets. Strategic development of our platforms for growth is underpinned by continued organic development and acquisition investment. In a record year of acquisition investment, the Group completed ten acquisitions at a net cost of €888m. In addition, a number of non-core businesses held for sale in 2014 were sold during the year. Acquisitions in Taste & Nutrition completed in 2015 included; KFI Savory, Baltimore Spice, Red Arrow Products, Insight Beverages, Island Oasis and Biothera Inc's 'Wellmune' business. Kerry Foods acquired Rollover Ltd in the UK in January 2015.

I am pleased to report that there was a strong performance by all our businesses in 2015 despite the demands of a changing marketplace and a slowdown in economic growth in many developing markets.

#### **+ Read More**

Details of businesses acquired in 2015 are presented in the Business Reviews **pgs28-37**



#### **SHAREHOLDER ANALYSIS**

- 14% Kerry Co-operative
- 29% Retail
- 57% Institutions
  - 16% UK
  - 20% North America
  - 18% Continental Europe/Rest of World
  - 3% Ireland

We continue to pursue organic and acquisition growth opportunities, which building on the Group's 1 Kerry business model can be readily structurally integrated.

#### **DIVIDEND**

The Board recommends a final dividend of 35 cent per share (an increase of 11.1% on the 2014 final dividend) payable on 13 May 2016 to shareholders registered on the record date 15 April 2016. When combined with the interim dividend of 15 cent per share, this brings the total dividend for the year to 50 cent per share, an increase of 11.1% on 2014.

#### **BOARD CHANGES**

In September we welcomed Tom Moran to the Board as a non-executive Director. Tom was Secretary General of the Department of Agriculture, Food and the Marine in Ireland from 2005 to the end of 2014. Throughout his public sector career he held a number of international policy and international trade negotiation leadership roles. He also served as Ireland's Agriculture Attaché to France and to the OECD. He is currently a Board Member of An Bord Bia (the Irish Food Board) and also a non-executive Director of the beef processing company Elivia in France.

#### **AUDITORS**

Deloitte has been our auditor since the Company was incorporated in 1986. In keeping with best practice and to comply with the UK Corporate Governance Code and EU legislation it was agreed to undertake a process to recommend the appointment of a new external auditor.

Following a tender process, the Board accepted a recommendation from the Audit Committee that PricewaterhouseCoopers be selected as external auditors for the Group. May I take this opportunity to thank Deloitte for the value they contributed to the Group and their professional approach over the years.

#### **PROSPECTS**

The views of management regarding the outlook for the Group in 2016 are presented in the Chief Executive's Review. Your Board remains confident that the Group's business model and strategies will continue to deliver sustained value for all stakeholders in the years to come. Finally, on the Board's behalf, I would like to thank Stan McCarthy Chief Executive, Group management and all employees for their contribution to Kerry's continued success.

**Michael Dowling**  
Chairman  
22 February 2016

# Chief Executive's Review



**Stan McCarthy** Chief Executive

## **+ Read More**

Sustainability Review  
**pgs38-53**

Kerry Group achieved a strong financial performance coupled with solid business development in all our core business areas and markets in 2015. In a challenging year marked by regional variation in economic growth, geopolitical instability, and significant commodity and currency volatility, global and regional food and beverage providers also continued to address the changing marketplace arising from consumer shopping patterns and channel dynamics. The 'new connected consumer' increasingly demands on-trend food & beverage experience at retail and foodservice level - accelerating the requirement for innovation and speed to market. In addition health, wellness, nutrition and convenience are key differentiators across all end-use-markets - providing strong opportunities for growth through Kerry's unique Taste & Nutrition technology portfolio.

While economic conditions continued to improve in most regional developed markets - consumer demand remained weak. Developing markets overall exhibited slower economic growth, with many regional markets impacted by intensified geopolitical activity and significant currency movement. However Kerry continued to achieve good volume growth through its Taste & Nutrition technologies and systems in all regions. In a record year of acquisition investment, the Group also continued to consolidate Kerry's leading global infrastructure and expand its technology and market footprint for future growth.

Kerry Foods performed well, benefiting from the improved economic conditions in the UK and Irish markets and growing consumer demand for snacking and convenience offerings.



## Kerry Group achieved a strong financial performance coupled with solid business development in all our core business areas and markets in 2015.

[\*\*+\*\* Read More](#) Financial Review **pg20**

The restructured Kerry Foods' portfolio is well positioned to meet consumer requirements across all channels including the fast growing food-to-go sector and e-commerce channels.

### RESULTS

Group businesses continued to outperform market growth rates in 2015. Sales revenue on a reported basis increased by 6.1% to €6.1 billion. Business volumes progressively improved during the year delivering 3.8% year-on-year growth. This performance reflected continued strong market development in American markets, an improved performance in the EMEA region and good growth in Asia despite lower economic growth in some regional developing markets. Pricing declined by 2.2% against a background of approximately 4.5% lower raw material costs. Currency movements contributed a positive 6.9% translation impact to revenue.

The Group trading profit margin increased by 40 basis points to 11.5%

# 11.5%



Taste & Nutrition achieved 4% growth in business volumes and pricing was 2.3% lower. Kerry Foods' business volumes grew by 3% and pricing reduced by 1.9%.

Group trading performance was again assisted by 1 Kerry efficiency programmes, improved product mix and the repositioned Kerry Foods business portfolio. Group trading profit increased by 10% to €700m. The Group trading profit margin increased by 40 basis points to 11.5%, reflecting a 40 basis points improvement in Taste & Nutrition to 14.1% and a 20 basis points improvement in Kerry Foods' margin to 8.5%.

Basic earnings per share increased by 9.4% to 298.7 cent. Adjusted earnings per share increased by 8.2% to 301.9 cent (2014: 278.9 cent).

Expenditure on research and development in 2015 increased to €234m (2014: €197m). Net capital expenditure amounted to €229m (2014: €257m). The Group achieved a free cash flow of €453m (2014: €303m).

[\*\*+\*\* Read More](#)

Group Key Performance Indicators **pgs18-19**

**+ Read More**Our Markets **pg13**

Business Review –

Taste & Nutrition **pg28**

Business Review –

Consumer Foods **pg34****BUSINESS REVIEWS****TASTE & NUTRITION**

Kerry's Taste & Nutrition technologies and systems performed well across all regions in 2015 whilst Group businesses continued to invest organically and through acquisition in further expansion of our technology portfolio. Demand for improved nutrition, health & wellness offerings, broader taste profiles, convenience and snacking solutions, and 'clean-label' enhancements, continued to drive customer engagement and innovation through Kerry's industry-leading Technology & Innovation Centre network.

Reported revenue increased by 8.7% to €4.7 billion, reflecting 4% business volume growth and 2.3% lower net pricing. Trading profit grew by 11.9% to €663m reflecting a 40 basis points increase in divisional trading margin to 14.1%. In 2015, Taste & Nutrition accounted for 76% of Group revenue and 84% of Group trading profit.

Kerry achieved good growth in American markets in 2015. Development in Latin American markets was impacted by significant currency devaluation particularly in Brazil which impacted 'out-of-home' food consumption, but Kerry maintained satisfactory business development in Mexico, Central America and the Andean region. Sales revenue in the Americas region increased by 21.4% on a reported basis to €2,308m, reflecting 4.1% volume growth and 1.9% lower pricing.

Establishment of the Group's Global Technology & Innovation Centre in Ireland mid-year, supported by Kerry Development & Application Centres in Moscow, Dubai and Durban has led to a significant increase in customer engagement and innovation in the EMEA region. Business volumes in 2015 increased by 0.9% and with lower raw material pricing, in particular dairy, overall net pricing reduced by 2.9%. This resulted in reported revenue of €1,546m similar to the prior year level.

Demand for balanced life-stage nutrition, healthy snacking, convenient tasteful beverage applications and customised foodservice solutions continues to drive strong growth in the Asia-Pacific region. Regional business volumes grew by 10.1%. Revenues reported at €784m reflected the business volume growth, 2.1% lower pricing, currency movements and the impact of the sale of the Pinnacle Lifestyle bakery business in Australia completed in May.

**CONSUMER FOODS**

Consumer confidence has continued to grow in the Irish and UK consumer foods markets in line with the improved economic conditions in both economies. Overall trading conditions remain highly competitive due to retail competitiveness arising from market polarisation and fragmentation, the growth of e-tail and deflationary trends. The deflationary environment has led to some category volume recovery. Discounters have continued to invest for growth which has led to broader retailer focus on EDLP. Changing lifestyles have also contributed to continued growth in snacking – with increased demand for healthier options. Online grocery shopping maintained a strong growth momentum where Kerry out performed category e-tail growth rates.

The repositioned Kerry Foods' portfolio performed well against this background delivering 3% volume growth in 2015. Net pricing was 1.9% lower. Following the sale of the division's pastry manufacturing assets in August 2014 and the management buy-out of the Direct-To-Store business in the UK completed at the end of February 2015, sales revenue in the repositioned Kerry Foods' portfolio was reported at €1,476m. Trading in the division's continuing businesses improved during the year, with reported trading profit similar to the prior year level at €126m despite the business disposals.

**The Group's holistic partnership approach, facilitated by the Kerry business model and 1 Kerry strategies, is central to supporting the continued growth of Kerry's global and regional customers in developed and developing markets.**

Total Shareholder  
Return for 2015

# 35%

## FINANCE

Finance costs (net) for the year increased by €16.4m to €69.3m (2014: €52.9m) primarily due to acquisition financing, foreign exchange movements and higher finance costs relating to post retirement benefit obligations, offset by cash generated in the period. The Group's average interest rate for the year was 3.6% (2014: 3.6%).

The tax charge for the year, before non-trading items, was €81.1m (2014: €79.6m) representing an effective tax rate of 13.7% (2014: 14.3%). The decrease in the effective tax rate is primarily driven from the geographical split of profits, R&D investment mainly in Ireland and changes in country tax rates. Net debt at the end of the year was €1,650.1m (2014: €1,195.3m).

The Company's shares traded in the range €56.50 to €77.70 during the year. The share price at 31 December was €76.31 (2014: €57.07) giving a market capitalisation of €13.4 billion (2014: €10.0 billion). Total Shareholder Return for 2015 was 35% (2014: 14%).

## FUTURE PROSPECTS

Combining Kerry's industry-leading taste capability and our unique nutrition & general wellness enabling technology platforms will continue to drive innovation and growth throughout the Group's food, beverage and foodservice international markets. Following record acquisition investment in 2015, the Group will invest in extending and broadening the newly acquired technologies into wider taste & nutrition markets throughout all geographic regions and markets.

Combining Kerry's industry-leading taste capability and our unique nutrition & general wellness enabling technology platforms will continue to drive innovation and growth throughout the Group's food, beverage and foodservice international markets.



In consumer foods' markets, the restructured Kerry Foods portfolio is well positioned to capitalise on today's snacking, convenience and food-to-go trends. Kerry Foods is now focused on expanding its footprint into new growth categories and channels, and into selected international markets.

The Group's holistic partnership approach, facilitated by the Kerry business model and 1 Kerry strategies, is central to supporting the continued growth of Kerry's global and regional customers in developed and developing markets. Capital resources will continue to be invested in organic development of the Group's technology growth platforms and manufacturing footprint in developing markets - supporting customer initiatives in advancing continued food safety improvements.

**Stan McCarthy**  
Chief Executive  
22 February 2016

## Read More

Our Business Model **pg12**  
Our Strategy **pg14**

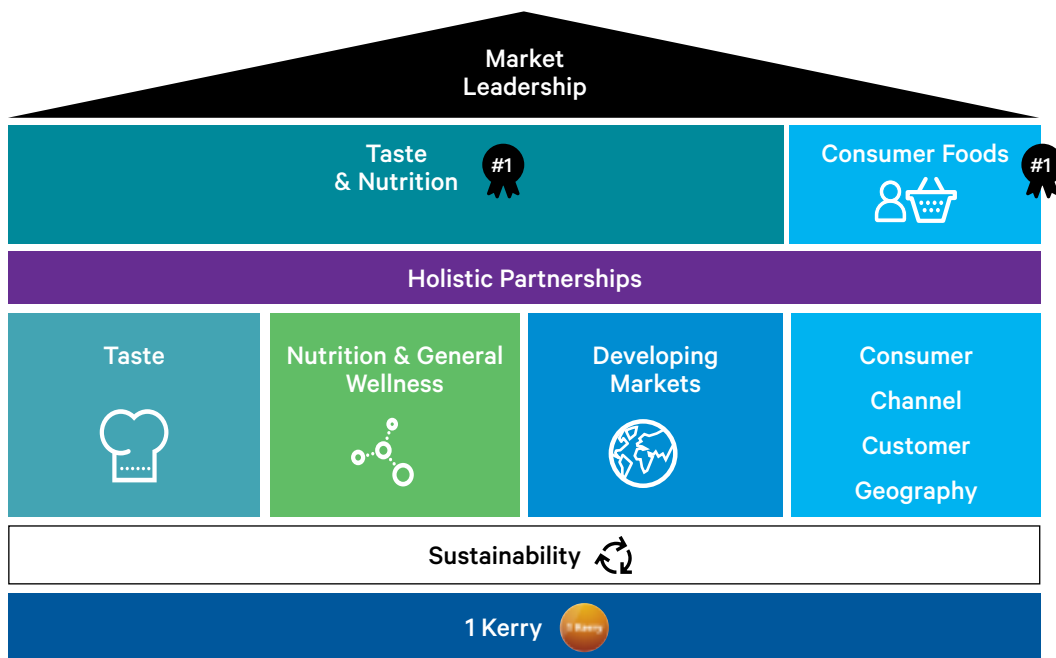
## Business Model

# A Sustainable Business Model

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The Group's business performance in 2015 is presented in the Chief Executive's Review **pg8** and in the Business Reviews **pgs28-37**

Kerry's business model is based on the Group's Strategy for growth embracing our global leadership in Taste & Nutrition and our consumer foods' leadership positioning in Kerry Foods' selected markets and growth categories.



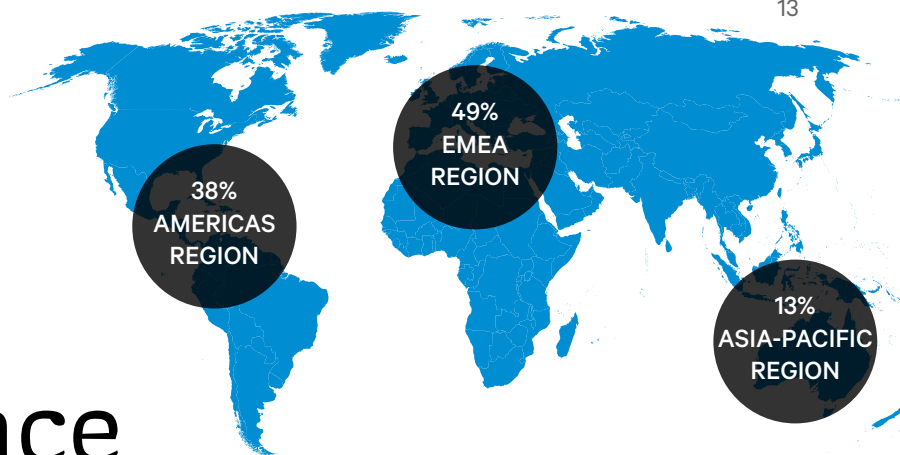
The foundations of the Kerry Business Model are based on maintaining competitive advantage through excellence in innovation and service to our valued customers in the food, beverage and pharmaceutical industries – dedicated towards meeting consumer needs in today's changing marketplace. Accordingly, our 1 Kerry approach to business development and customer service is focused on creating and nurturing sustainable long-term customer alliances and delivery of long-term value to all stakeholders on a sustainable basis.

Our holistic partnership approach facilitated by the Kerry Business Model (underpinned by functional excellence, involving multi-functional, multi-level, multi-channel relationships) is key in supporting our customers' business growth in developed and developing markets and in driving the growth of Kerry Foods in its selected Meat & Savoury Products, Dairy Products and Meal Solutions market categories.



## Our Markets

# Evolving Marketplace



Kerry has well established market leadership positions in global food, beverage and pharmaceutical markets through delivery of the Group's Taste & Nutrition technologies and systems to our customer base in over 140 countries. Kerry Foods, the Group's consumer foods business holds number 1 or 2 branded leadership positions in its selected chilled foods categories in Europe.

Today's consumer markets and changing food and beverage consumption trends require renewed vigour in product innovation and development of nutritious, tasteful offerings and menu solutions which address convenience, health & wellness and life-stage preferences.

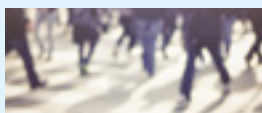
KERRY SALES  
IN OVER  
**140**  
COUNTRIES

### THE CHANGING MARKETPLACE – 'NEW CONSUMER'

Our markets continue to evolve and are characterised by an unprecedented level of change in attitudes and consumption trends in recent years.

Underlying factors, including population growth, demographic changes, middle-class growth and urbanisation, 'new consumers' shopping for 'immediate satisfaction' while seeking health and wellness, variety, freshness, experience and value, in addition to the growth in foodservice markets and use of mobile technology, will continue to underpin growth in global demand in food and beverage markets well into the future.

### THE CHANGING CONSUMER



#### DEMOGRAPHIC

- Shrinking middle class
- Millennial growth
- Urban centres growing rapidly
- Single households
- Ethnic expansion



#### ATTITUDE

- Life is an experience
- Instant gratification
- Social & ethical responsibility
- Value seeking



#### PACE OF LIFE

- Less personal time
- Need for convenience and functionality
- Snacking culture pervasive



#### AWARENESS

- Back to basics approach
- Trying to follow a proactive, healthy lifestyle
- Real food and clean label
- Trust is key

In line with such trends, Kerry's strategic customers continue to extend their activities and marketing across global markets which in turn requires Kerry, as their preferred supplier of Taste & Nutrition technologies, to extend the Group's technical, manufacturing and customer service capabilities to a wider geographic marketplace.

Understanding and anticipating changes in consumer trends is central to Kerry's continued successful growth and development. Our continued investment in industry-leading 'Consumer and Market Insights' capability informs our consumer-focused innovation and customer engagement model. This proprietary approach in delivery of unique insights to our customers enables our strategic partners to develop their brands or customised menu offerings to grow their businesses.

In the fast-changing consumer environment, taste and nutritional values remain the primary factor in re-purchasing decisions. Accordingly, speed of innovation and localisation of taste are key drivers of growth in the rapidly evolving global marketplace – providing solid innovation opportunities for Kerry's industry-leading Global and Regional Technology & Innovation Centres and Regional Development & Application Centre network.

# Our Strategy

[+ Read More](#)  
Sustainability Review **pg38**

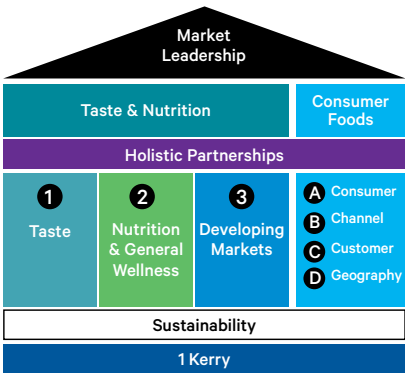
# A Proven Strategy for Growth

## Our strategy is to continue to profitably grow

- our industry-leading Taste & Nutrition business across global developed and developing markets – leveraging the breadth and depth of Kerry technologies, innovation capability and market insights to provide superior service to our customers;
- and, by capitalising on snacking, health and convenience trends, to deliver compelling consumer propositions which meet consumer and channel requirements through the Group’s reconfigured Kerry Foods’ portfolio.

This strategy will be delivered through strategic growth pillars in both the Group’s Taste & Nutrition and Consumer Foods’ businesses.

To maximise shareholder value, strategic development of our pillars for growth is underpinned by continued organic development and acquisition investment which can be readily integrated through the 1 Kerry Business Model.







Taste & Nutrition

Strategic growth pillars

## 1 TASTE

Our positioning is unique as our portfolio embraces Kerry’s market-leading flavour and texture technologies, built on a deep foundation of fundamental research, coupled with our food science and process technology expertise, which has been built up over 40 years. We look at our Taste capabilities to meet the ‘New Consumers’ taste requirements under the following areas:

CONSUMER TASTE PILLARS				
CONSUMER EXPECTATIONS	 Pure & Simple	 Authentic & Familiar	 Fresh & Invigorating	 Pleasure & Indulgence
	For self-accountable consumers we create taste products that are safe, trusted and real.	For consumers who want comfort, nostalgia and familiarity, we provide taste that delivers wholesomeness and provenance.	For consumers seeking products with a feel good factor we deliver invigorating, revitalising, refreshing taste.	For consumers who crave premium and/or indulgent experiences we deliver trending, emerging taste that excites and inspires.
	<ul style="list-style-type: none"><li>Clean label</li><li>Trusted/traceable ingredients</li><li>No artificial ingredients</li><li>‘Free-from’</li></ul>	<ul style="list-style-type: none"><li>Cooking style tastes</li><li>Authentic food experiences</li><li>The taste of time</li><li>Ethnic/local cuisine tastes</li></ul>	<ul style="list-style-type: none"><li>Taste without compromise</li><li>Fresh</li><li>Healthy Halo</li><li>Natural Mood</li></ul>	<ul style="list-style-type: none"><li>New taste experiences</li><li>The fine-dining experience</li><li>The Patisserie experience</li><li>The Coffee-house experience</li></ul>
MARKET NEEDS (EXAMPLES)				
Underpinned by: Understanding the fundamental science of Taste FlavourµµTextureµµMouthfeelµµAppearanceµµAromaµµSensory				
Delivered by: A leading Taste Portfolio				





## 2 NUTRITION & GENERAL WELLNESS

We will drive growth through our nutrition and general wellness technologies by helping create more nutritious products that are inspired by market insight and science to meet people's needs. We operate across all life stages, from infant and toddler through to adulthood, healthy aging and seniors.

Kerry has a long-standing history and a huge capability in delivering nutritious and healthy products. Our heritage in dairy along with our foundational proteins expertise enables us to provide natural nutrition capabilities.

Our Nutrition & General Wellness strategy is supported and enhanced by our Functional Ingredients & Actives portfolio which we will continue to expand and by our depth and breadth of application expertise. Kerry also has well established partnerships with research and educational institutions to continue to evolve our science and nutrition understanding and capabilities.

### CONSUMER NUTRITION PILLARS

	 Free from	 Better for you	 Good for you	 Tailored for you
CONSUMER EXPECTATIONS	<b>Avoidance</b> "Free-from" or "zero" variants of products. For consumers who seek to eliminate particular nutrients or food types due to health concerns.	<b>Balance &amp; Moderation</b> Products with "diet", "low" or "less" tags. For the majority of consumers who believe that unhealthy indulgences need to be moderated for a balanced diet and can be replaced with a guilt free option.	<b>Positive Nutrition</b> Functional products, "superfoods" and "natural foods." For self-accountable consumers who believe that diet and nutrition is an important route to wellness.	<b>Tailored for you</b> For individuals within the broader population who have specific nutritional needs based on their need state and life stage. E.g. infants, athletes, seniors and individuals with specific medical conditions such as diabetes.
MARKET NEEDS (EXAMPLES)	<ul style="list-style-type: none"> <li>Food intolerance</li> <li>Low/No/Reduced Lactose</li> <li>Gluten Free</li> <li>Clean/Cleaner Label</li> </ul>	<ul style="list-style-type: none"> <li>Reduced Sugar</li> <li>Reduced Salt</li> <li>Reduced Fat</li> <li>Balanced Choice</li> </ul>	<ul style="list-style-type: none"> <li>Protein Fortification</li> <li>Carbohydrate Quality</li> <li>Healthy Lipids</li> <li>Micronutrient Fortification</li> </ul>	<ul style="list-style-type: none"> <li>Infant &amp; Toddler Nutrition</li> <li>Performance Nutrition</li> <li>HealthCare Nutrition (including all need states)</li> <li>Weight Management</li> </ul>
Underpinned by: Understanding the fundamental science of Nutrition FortificationµµDietary NutritionµµLife StagesµµNeed StatesµµTaste				
Delivered by: A leading Nutrition Portfolio				

The Group's Taste and Nutrition strategies are interdependent and uniquely benefit through Kerry's ability to formulate and leverage both platforms.

## 3 DEVELOPING MARKETS

In line with Kerry customer requirements, and capitalising on economic and demographic trends in developing markets, the Group has targeted continued growth in specific developing markets through organic and acquisitive investment.



## Consumer Foods

**Strategic growth pillars** Kerry Foods' strategy is underpinned by four platforms for growth



### A CONSUMER

We will use consumer-led insight and innovative technology to develop compelling propositions that delight shoppers in our core categories – meat, dairy and meals.



Kerry Foods will leverage our technology and innovation to deliver insight led propositions that delight our consumers in our core categories of Meat, Dairy and Meals. The consumer is at the heart of everything we do and all of our propositions will leverage deep consumer insight. Our deep rooted technology capability enables us to create products that meet consumer trends quickly with offerings that are not easy for competition to replicate. Within the Consumer Growth Platform, we are focused on three key growth trends all of which are exhibiting strong growth globally;

- a) Nutritional snacking
- b) Convenience – 'quick and easy' solutions
- c) Natural health



### B CHANNEL

We will ensure our products are readily available to all our consumers, across all channels, when ever and where ever they shop.



We will engage shoppers across multiple channels from supermarket to convenience to online to discounters and we will align our portfolio and propositions to meet channel needs. We are investing in people, skills and capabilities to ensure that we excel in all channels. Our core is rooted at multiple retail level but while channel proliferation brings complexity it also provides Kerry Foods with opportunities to make our products available in more places and within arm's reach of shoppers.



### C CUSTOMER

We will work collaboratively with our customers to ensure we create products that they, and their consumers, love to buy.



Kerry Foods will actively collaborate with our customers leveraging insight, innovation, category and customer management to develop winning and engaging plans that ensure we are their partner of choice in our key categories. We also have an active programme to develop relationships with new customers beyond our existing customer base including foodservice and leisure – providing us with new and exciting routes to market.



### D GEOGRAPHY

We're committed to expanding our footprint beyond the UK and Ireland into new markets, to reach new customers.




Kerry Foods will actively expand its footprint beyond the UK and Ireland. We now have a presence in six Mainland European countries with Cheestrings and we are actively exploring many more. We will leverage brands and technology into new geographies where we can establish a defensible position based on a competitive advantage with is underpinned by real consumer insight.



## Our Strategy

# Kerry Strategic Advantage

Kerry Group has a long history of sustained profitable growth. Group strategy will continue to be achieved through the commitment and expertise of our people – capitalising on Kerry's strategic advantage.

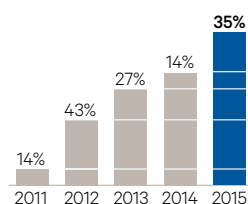
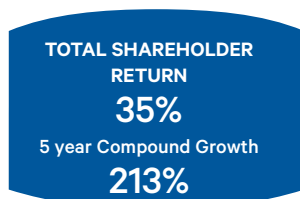
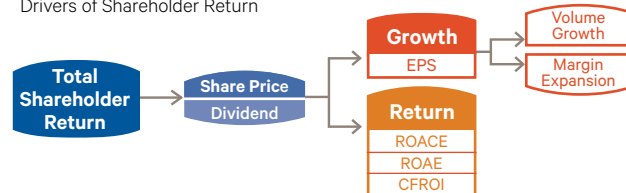
<b>Technology Leader</b> 	Unrivalled technology breadth Fundamental science & research capability Food science & process expertise	Unique taste & nutrition positioning Application & culinary leadership Global Technology & Innovation Centre platform
<b>Market Leader</b> 	#1 in America, Europe and ROW for Savoury & Dairy #1 in America, Europe for Cereal & Sweet #1 in proteins globally	Top 5 in flavours globally In 5 of the top 10 blockbuster drugs A leader in chilled food in UK and Ireland
<b>Proven Success</b> 	Consistent delivery of targets since 1986 11% CAGR for revenue 14% CAGR for trading profit	14% CAGR for adjusted EPS 17% CAGR on share price 17% CAGR on dividends
<b>Growth Potential</b> 	Unique customer intimacy model Unrivalled Taste and Nutrition capabilities Established and growing Developing Market position	Proven consolidator Strong balance sheet 1 Kerry & global footprint platform
<b>People</b> 	Proven leadership and management capability Results driven culture Talent management – Kerry Learning Academy	Personal growth opportunities Mobility Diversity
<b>Sustainable</b> 	Natural heritage Investing for a sustainable future Milestone linked to performance management	1 Kerry Sustainability Programme Commitment to targets Company-wide initiatives



# Group Key Performance Indicators

The Group's strategic objective is to maximise shareholder return by delivering on the targets of growth in business profitability and exceeding return on investment hurdles.

## Drivers of Shareholder Return



### Definition\*\*

Total Shareholder Return (TSR) represents the change in the capital value of Kerry Group shares plus dividends reinvested.

### Strategic Linkage

TSR is an important indicator of how successful the Group has been in terms of shareholder value creation.

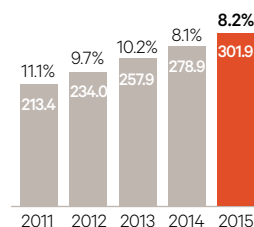
### Performance

The Group achieved a TSR of 35% in 2015 which outperformed the STOXX Europe 600 Food and Beverage Index and the MSCI Europe Food Producers Index.

The Group achieved Compound Growth of 213% in TSR since 2010.

### Link to Remuneration

Performance metric for long-term incentive plan.



### Definition\*\*

Adjusted EPS growth represents the change in adjusted EPS in the current year compared to adjusted EPS achieved in the prior year. Adjusted EPS is considered more reflective of the Group's underlying trading performance than basic EPS.

### Strategic Linkage

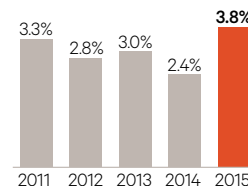
EPS growth is a key performance metric as it encompasses all the components of growth that are important to the Group's stakeholders. Volume growth and margin expansion are the two key drivers of EPS growth.

### Performance

The Group achieved adjusted EPS growth of 8.2% in the year, which was below the Group's medium term target of 10% per annum.

### Link to Remuneration

Performance metric for short-term & long-term incentive plans.



### Definition\*\*

This represents sales volume growth year-on-year from on-going business, excluding volumes from acquisitions (net of disposals) and rationalisation volumes.

### Strategic Linkage

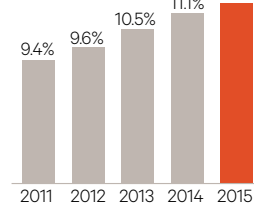
Volume growth is an important metric as it is seen as the key driver of top-line business improvement. This is used as the key revenue metric, as Kerry operates a pass-through pricing model with its customers to cater for raw material price fluctuations. Pricing therefore impacts like-for-like revenue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

### Performance

The Group achieved continuing volume growth in 2015 of 3.8% which was in the Group's target range of 3-5% per annum.

### Link to Remuneration

Key driver of adjusted EPS growth (performance metric for short & long-term incentive plans).



### Definition\*\*

Trading margin expansion represents the change in trading margin in the current year compared to trading margin achieved in the prior year. Trading margin represents annual trading profit, expressed as a percentage of revenue.

### Strategic Linkage

Trading margin expansion is a key measure of profitability. It demonstrates improvement in the product mix being sold and also improvement in the operating efficiency of the business.

### Performance

The Group achieved trading margin expansion of 40 bps in 2015, which is in excess of the Group's target range of 30 bps per annum.

### Link to Remuneration

Key driver of adjusted EPS growth (performance metric for short & long-term incentive plans).

## GROUP 5 YEAR TARGETS (2013–2017)

## Growth

Adjusted EPS  $\mu$ 10%+ p.a. by:

Volume growth*		Margin Expansion	
Taste & Nutrition	4% to 6% p.a.	Taste & Nutrition	50bps p.a
Consumer Foods	2% to 3% p.a.	Consumer Foods	20bps p.a
Group	3% to 5% p.a.	Group	30bps p.a

\*assumes market growth rate of 2% to 3% p.a.

+ an additional 100 bps from Kerryconnect project

## Return

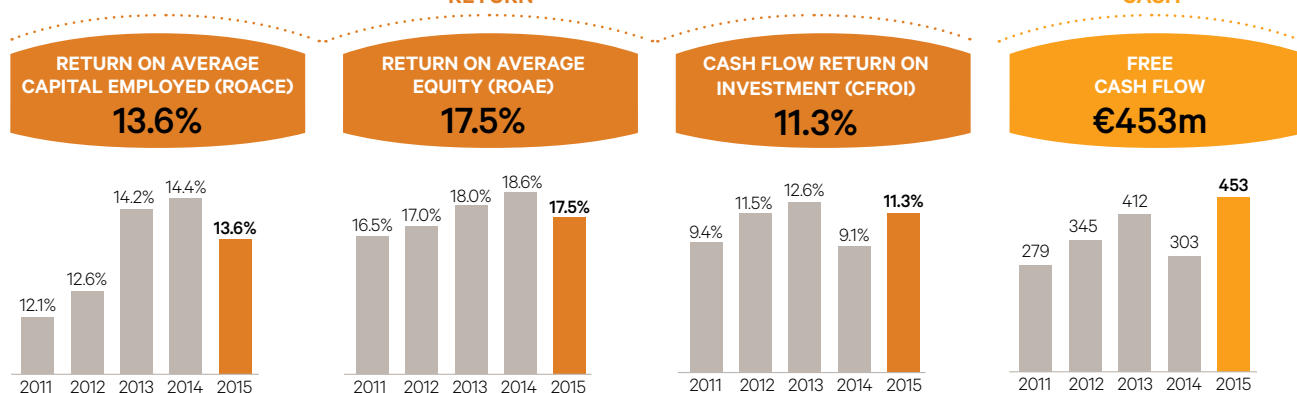
ROACE 12%+

ROAE 15%+  $\mu$   $\mu$   $\mu$   $\mu$   $\mu$  CFROI 12%+

The metrics outlined below are important measurement indicators of Group performance in meeting its strategic objective. Business strategy is set by the Board of Directors and all Kerry employees work towards achieving these goals. Remuneration is directly linked with performance versus these targets.

## RETURN

## CASH

**Definition\*\***

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

**Strategic Linkage**

ROACE is a key measure of the return the Group achieves on its investment in capital expenditure projects, acquisitions and other strategic investments, expressed as a percentage of what resources are available to the Group.

**Performance**

The Group achieved ROACE of 13.6% in 2015, above the Group's target of 12%. The 2015 performance was impacted by the timing of acquisitions in Q4.

**Link to Remuneration**

Performance metric for long-term incentive plan.

**Definition\*\***

This measure is defined as profit after tax before non-trading items (net of tax) and brand related intangible asset amortisation, expressed as a percentage of average equity.

**Strategic Linkage**

ROAE is a key measure of the return the Group achieves on its investment in capital expenditure projects, acquisitions and other strategic investments, expressed as a percentage of what shareholders have invested in the Group.

**Performance**

The Group achieved ROAE of 17.5% in 2015, above the Group's target of 15%. The 2015 performance was impacted by the timing of acquisitions in Q4.

**Link to Remuneration**

Similar metric to ROACE (performance metric for long-term incentive plan).

**Definition\*\***

CFROI is calculated as free cash flow before finance costs paid (net), expressed as a percentage of average capital employed.

**Strategic Linkage**

CFROI is important as it measures the Group's cash return on invested assets.

**Performance**

The Group achieved a CFROI of 11.3% in 2015. This was just below the Group target of 12%, as a result of investment in capital and other projects to drive business growth in the longer term. The 2015 performance was impacted by the timing of acquisitions in Q4.

**Link to Remuneration**

Free Cash Flow (performance metric for short-term incentive plan) is the key driver of CFROI.

**Definition\*\***

Free Cash Flow is trading profit plus depreciation, movement in average working capital, capital expenditure, pension costs less pension expense, finance costs paid (net) and income taxes paid.

**Strategic Linkage**

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.

**Performance**

The Group achieved free cash flow of €453m in 2015.

**Link to Remuneration**

Performance metric for short-term incentive plan.

**+ Read More**

Non-Financial KPIs are detailed in our Sustainability Review **pgs38-53**

\*\*Full definitions can be found in the Supplementary Information section – Financial Definitions pg173

## Finance Review

# A Strong Performance

[+ Read More](#)

Group Key Performance Indicators **pg18**



Brian Mehigan,  
Chief Financial Officer

The Financial Review provides an overview of the Group's financial performance for the year ended 31 December 2015 and of the Group's financial position at that date.

### KEY PERFORMANCE INDICATORS

The performance metrics outlined below have been identified as the Key Performance Indicators (KPIs) for the Group. These KPIs are used to measure the financial and operational performance of the Group and are used to track progress in achieving long term targets. The targets for these KPIs for the current 5 year cycle (2013 - 2017) and the Group's performance over the 3 years from 2013 are summarised in the table below. A more expansive analysis of the Group's performance versus KPIs is included in the Group Key Performance Indicators section of the Strategic Report.

Growth	Target	3 Year Average
Adjusted* EPS growth	<b>10%+</b>	8.8%
Continuing volume growth	<b>3% to 5%**</b>	3.1%
Trading profit margin growth	<b>+30bps p.a.</b>	+60bps

Return	Target	3 Year Average
Return on average capital employed (ROACE*)	<b>12%+</b>	14.1%
Return on average equity (ROAE*)	<b>15%+</b>	18.0%
Cash flow return on investment (CFROI)	<b>12%+</b>	11.0%

*The targets above assume neutral currency and raw material costs*

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

*\*\* Assumes market growth rate of 2% to 3% p.a.*

## ANALYSIS OF RESULTS

	% change	2015 €'m	2014 €'m
<b>Reconciliation of adjusted* earnings to profit after taxation</b>			
<b>Revenue</b>	6.1%	<b>6,104.9</b>	5,756.6
<b>Trading profit</b>	10.0%	<b>700.1</b>	636.4
Trading margin		<b>11.5%</b>	11.1%
Computer software amortisation		<b>(18.7)</b>	(13.6)
Finance costs (net)		<b>(69.3)</b>	(52.9)
<b>Adjusted earnings before taxation</b>		<b>612.1</b>	569.9
Income taxes (excluding non-trading items)		<b>(81.1)</b>	(79.6)
<b>Adjusted earnings after taxation</b>	8.3%	<b>531.0</b>	490.3
Brand related intangible asset amortisation		<b>(18.7)</b>	(14.4)
Non-trading items (net of related tax)		<b>13.1</b>	4.0
<b>Profit after taxation</b>		<b>525.4</b>	479.9
		<b>EPS Cent</b>	<b>EPS Cent</b>
<b>Adjusted EPS</b>	8.2%	<b>301.9</b>	278.9
Brand related intangible asset amortisation		<b>(10.6)</b>	(8.2)
Non-trading items (net of related tax)		<b>7.4</b>	2.3
<b>Basic EPS</b>		<b>298.7</b>	273.0

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

### Revenue

On a reported basis Group revenue increased by **6.1%** to **€6.1 billion** (2014: €5.8 billion). Volumes grew by **3.8%**, product pricing decreased by **2.2%**, and there was a positive transaction related currency impact of **0.1%**. There was a negative impact of business disposals net of acquisitions of **2.5%** and a positive reporting currency impact of **6.9%**.

In Taste & Nutrition, reported revenue increased by **8.7%** to **€4.7 billion** (2014: €4.3 billion). Volumes grew by **4.0%** and product pricing decreased by **2.3%**. There was a positive impact of business acquisitions net of disposals of **0.1%** and a positive reporting currency impact of **6.9%**.

In Consumer Foods, reported revenue decreased by **2.2%** to **€1.48 billion** (2014: €1.51 billion). Volumes increased by **3.0%**, product pricing decreased by **1.9%**, and there was a positive transaction related currency impact of **0.4%**. There was a negative impact of business disposals net of acquisitions of **10.3%** and a positive reporting currency impact of **6.6%**.

### Trading Profit & Margin

On a reported basis, Group trading profit increased by **10.0%** to **€700.1m** (2014: €636.4m). Group trading profit margin increased **40 basis points** (bps) to **11.5%**. The improvement in Group trading profit margin was attributed to operating leverage and improved product mix, coupled with the benefits accruing through the 1 Kerry Business Transformation Programme and the positive impact from exiting non-core business activities.

Trading profit margin in Taste & Nutrition increased by **40 bps** to **14.1%**, due to the benefits of improved product mix, operating leverage and business efficiency programmes. Trading profit margin in Consumer Foods increased by **20 bps** to **8.5%** due to business efficiency gains combined with the positive impact from exiting non-core business activities.

A comprehensive analysis of the revenue and trading performance of the Taste & Nutrition and Consumer Foods divisions is included in the Business Reviews on pages 28 to 37.



### Computer Software Amortisation

Computer software amortisation increased to **€18.7m** (2014: €13.6m) reflecting the on-going progression of the Kerryconnect project. The capitalised element of the cost of this project is being amortised over a 7 year period.

### Finance Costs (net)

Finance costs (net) for the year increased by €16.4m to **€69.3m** (2014: €52.9m) primarily due to acquisition financing, foreign exchange movements and higher finance costs relating to post retirement benefit obligations, offset by cash generated in the period. The Group's average interest rate for the year was **3.6%** (2014: 3.6%).

### Taxation

The tax charge for the year, before non-trading items, was **€81.1m** (2014: €79.6m) representing an effective tax rate of **13.7%** (2014: 14.3%). The decrease in the effective tax rate is primarily driven by the geographical split of profits, R&D investment mainly in Ireland and changes in country tax rates.

### Acquisitions and Disposals

During the year, the Group completed 10 acquisitions at a net cost of **€888.1m**. The Group also disposed of the Pinnacle lifestyle bakery business in Australia and the Consumer Foods Direct-to-Store business in the UK. The total consideration was **€153.8m** before disposal related costs.

### Non-Trading Items

Non-trading items totalling to an income of **€13.1m** net of tax (2014: €4.0m) were recorded in 2015. The Group realised a profit of **€26.7m** on the disposal of the Pinnacle lifestyle bakery and Direct to store businesses and a loss of **€4.2m** on the disposal of miscellaneous property, plant and equipment. In addition, the Group incurred **€7.8m** of acquisition transaction and integration costs relating to the acquisitions completed during the year and a **€5.3m** charge relating to the impairment of assets held for sale. A tax credit of **€3.7m** was recognised on these non-trading items.

### Adjusted EPS

Adjusted EPS increased by **8.2%** to **301.9 cent** (2014: 278.9 cent).

### Basic EPS

Basic EPS increased by 9.4% to **298.7 cent** (2014: 273.0 cent) after adjusting for brand related intangible asset amortisation of **10.6c** (2014: 8.2c) and non-trading items of **7.4c** net of tax (2014: 2.3c).

### Return on Investment

This is measured by the Group on a profit basis using ROACE and ROAE, and on a cash basis using CFROI. In 2015, the Group achieved ROACE of **13.6%** (2014: 14.4%) and ROAE of **17.5%** (2014: 18.6%) which were well above the Group return on investment hurdles. The Group achieved a CFROI of **11.3%** (2014: 9.1%) which was below the Group target as a result of capital and other strategic investments which are expected to drive business growth in the longer term. The above metrics for 2015 were negatively impacted by the timing of acquisitions in the fourth quarter as they include the total cost of the acquisitions, but only include the return from the date they were acquired. If you re-calculate ROACE using an annualised return, this results in a performance of **14.3%**, with a similar positive effect on ROAE and CFROI.

### Exchange Rates

Group results are impacted by fluctuations in exchange rates year on year versus the euro. The average rates below are the principal rates used for the translation of revenues. The closing rates below are used to translate assets and liabilities at year end.

	Average Rates		Closing Rates	
	2015	2014	2015	2014
Australian Dollar	<b>1.46</b>	1.46	<b>1.49</b>	1.48
Brazilian Real	<b>3.72</b>	3.14	<b>4.25</b>	3.22
British Pound Sterling	<b>0.73</b>	0.81	<b>0.73</b>	0.78
Canadian Dollar	<b>1.41</b>	1.47	<b>1.51</b>	1.41
Malaysian Ringgit	<b>4.30</b>	4.33	<b>4.69</b>	4.25
Mexican Peso	<b>17.46</b>	17.54	<b>18.73</b>	17.87
Russian Ruble	<b>68.07</b>	50.95	<b>79.70</b>	68.34
South African Rand	<b>13.90</b>	14.28	<b>16.95</b>	14.04
US Dollar	<b>1.12</b>	1.33	<b>1.09</b>	1.21

### Dividends

The Board has proposed a final dividend of 35.0 cent per A ordinary share payable on 13 May 2016 to shareholders registered on the record date of 15 April 2016. When combined with the interim dividend of 15.0 cent per share, the total dividend for the year amounted to 50.0 cent per share (2014: 45.0 cent per share) an increase of 11.1%.

### BALANCE SHEET

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

	2015 €'m	2014 €'m
Property, plant & equipment	1,431.5	1,283.4
Intangible assets	3,449.3	2,629.0
Other non-current assets	290.5	228.6
Current assets	1,841.7	1,826.8
<b>Total assets</b>	<b>7,013.0</b>	5,967.8
Current liabilities	1,477.8	1,633.7
Non-current liabilities	2,745.1	2,098.5
<b>Total liabilities</b>	<b>4,222.9</b>	3,732.2
<b>Net assets</b>	<b>2,790.1</b>	2,235.6
<b>Shareholders' equity</b>	<b>2,790.1</b>	2,235.6

### Intangible Assets & Acquisitions

Intangible assets increased by €820.3m to **€3,449.3m** (2014: €2,629.0m). Intangible assets of **€786.6m** were recorded in the year relating to acquisitions completed by the Group, with an additional increase of **€66.2m** due to year-end exchange rates used to translate intangible assets other than those denominated in euro.

### Retirement Benefits

At the balance sheet date, the net deficit for defined benefit schemes (after deferred tax) was **€253.3m** (2014: €393.3m). The decrease is due to an increase in the discount rates in the UK, Eurozone and the US and cash contributions during the year. The net deficit expressed as a percentage of market capitalisation at 31 December was **1.9%** (2014: 3.9%). The charge to the income statement during the year, for both defined benefit and defined contribution schemes was **€54.3m** (2014: €50.4m).

### Shareholders' Equity

Shareholders' equity increased by €554.5m to **€2,790.1m** (2014: €2,235.6m), resulting from profits generated during the year and stronger year-end exchange rates, offset in part by dividends.

A full reconciliation of shareholders' equity is disclosed in the Consolidated Statement of Changes in Equity on page 108.

## CAPITAL STRUCTURE

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

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

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

### Financing

In April, following a limited syndication process, the Group arranged a new €1.1bn revolving credit facility replacing its existing arrangements. The syndication, which was more than two times oversubscribed, extended the maturity and increased the quantum of Kerry's revolving credit facility.

In September, the Group announced its debut Eurobond, issuing €750m 10 year notes at an annual coupon of 2.375%. The bonds, which were over 3.5 times oversubscribed, are listed on the Irish Stock Exchange and provide Kerry with an additional source of debt finance.

These new facilities significantly increase the amount of debt finance available. They extend the maturity profile of Group debt and were used to retire existing debt, fund acquisitions and for general corporate purposes.

## FREE CASH FLOW

**Free cash flow** is seen as an important indicator of the strength and quality of the business and of the availability of funds to the Group for reinvestment or for return to the shareholder. In 2015 the Group achieved a free cash flow of **€452.6m** (2014: €302.9m) analysed below with a free cash flow to adjusted\* earnings after tax conversion rate of **85.2%** (2014: 61.8%).

	2015 €'m	2014 €'m
<b>Free Cash Flow</b>		
Trading profit	700.1	636.4
Depreciation (net)	125.9	103.5
Movement in average working capital	(1.6)	(59.2)
Pension contributions paid less pension expense	(57.5)	(48.0)
<b>Cash flow from operations</b>	<b>766.9</b>	<b>632.7</b>
Finance costs paid (net)	(46.6)	(41.8)
Income taxes paid	(38.3)	(30.6)
Purchase of non-current assets	(229.4)	(257.4)
<b>Free cash flow</b>	<b>452.6</b>	<b>302.9</b>

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

### Net Debt

Net debt at the end of the year was **€1,650.1m** (2014: €1,195.3m). The increase during the year is analysed in the table below:

<b>Movement in Net Debt</b>	<b>2015 €'m</b>	<b>2014 €'m</b>
<b>Free cash flow</b>	<b>452.6</b>	302.9
Acquisitions (net of disposals) including payments relating to previous acquisitions	<b>(773.2)</b>	(156.5)
Difference between average working capital and year-end working capital	<b>66.4</b>	(20.1)
Non-trading items	<b>(26.4)</b>	(74.5)
Equity dividends paid	<b>(81.8)</b>	(73.0)
Exchange translation adjustment on profits	<b>(0.7)</b>	3.3
Increase in net debt resulting from cash flows	<b>(363.1)</b>	(17.9)
Fair value movement on interest rate swaps	<b>0.2</b>	(5.5)
Exchange translation adjustment on net debt	<b>(91.9)</b>	(88.8)
Increase in net debt in the year	<b>(454.8)</b>	(112.2)
Net debt at beginning of year	(1,195.3)	(1,083.1)
<b>Net debt at end of year</b>	<b>(1,650.1)</b>	(1,195.3)

### Exchange impact on net debt

The exchange translation adjustment of **€91.9m** results primarily from borrowings denominated in US dollar translated at a year-end rate of \$1.09 versus a rate of \$1.21 in 2014.

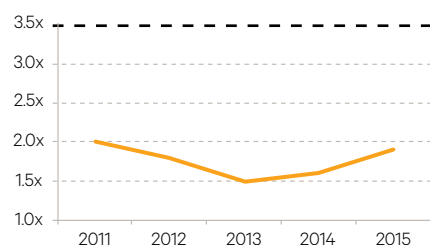
<b>Maturity Profile of Net Debt</b>	<b>2015 €'m</b>	<b>2014 €'m</b>
Within 1 year	<b>198.0</b>	(21.0)
Between 1 and 2 years	<b>(153.7)</b>	(132.4)
Between 2 and 5 years	<b>(143.9)</b>	(144.5)
Over 5 years	<b>(1,550.5)</b>	(897.4)
<b>Net debt at end of year</b>	<b>(1,650.1)</b>	(1,195.3)
Weighted average maturity (years)	<b>7.5</b>	5.2

### Key Financial Covenants

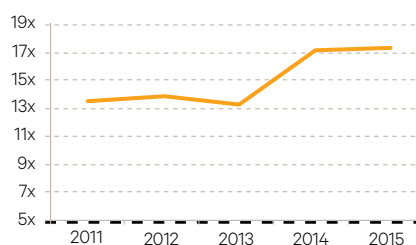
The majority of Group borrowings are subject to financial covenants calculated in accordance with lenders' facility agreements. The Group's balance sheet is in a healthy position. With a net debt to EBITDA\* ratio of 1.9 times, the organisation has sufficient headroom to support its future growth plans. Group Treasury monitors compliance with all financial covenants and at 31 December the key covenants were as follows:

	Covenant	2015 Times	2014 Times
Net debt: EBITDA*	Maximum 3.5	<b>1.9</b>	1.6
EBITDA: Net interest*	Minimum 4.75	<b>17.3</b>	17.2

**Net Debt: EBITDA\***



**EBITDA: Net Interest\***



\* Calculated in accordance with lenders' facility agreements which take account of adjustments as outlined on page 174.

### Credit Facilities

Undrawn committed facilities at the end of the year were **€1,100.0m** (2014: €867.0m) while undrawn standby facilities were **€340.3m** (2014: €351.0m).

Full details of the Group's financial liabilities, cash at bank and in hand and credit facilities are disclosed in notes 23 and 24 to the consolidated financial statements.

### Share Price and Market Capitalisation

The Company's shares traded in the range €56.50 to €77.70 during the year. The share price at 31 December was €76.31 (2014: €57.07) giving a market capitalisation of €13.4 billion (2014: €10.0 billion). Total Shareholder Return for 2015 was 35%. (2014: 14%)

### Investor Relations

Kerry's senior management team are committed to interacting with the international shareholder community to ensure a full understanding of Kerry's strategic plan, long term targets and current trading performance. During the year members of the executive management team presented at 15 capital market conferences and met approximately 550 institutional investors at conferences, one-on-one meetings and group presentations.

### FINANCIAL RISK MANAGEMENT

Within the Group risk management framework as described in the Risk Report on page 54, the Group has a 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 does not engage in speculative trading.

Further details relating to the Group's financial and compliance risks and their associated mitigation processes are discussed in the Risk Report on pages 54 to 60 and in note 24 to the consolidated financial statements.

### SUMMARY AND FINANCIAL OUTLOOK

Against the backdrop of a volatile economic and market environment, the Group delivered another strong performance in 2015 generating revenue of **€6.1 billion**, trading profit of **€700m** and free cash flow of **€453m**. At year-end the balance sheet is also in a good position and with a net debt: EBITDA ratio of **1.9 times**, the Group has sufficient headroom to support the future growth plans of the organisation.

Despite challenging market and financial conditions continuing to prevail going into 2016, the Group looks forward to further financial growth and development in the year ahead.



# Kerry Group - 10 year earnings history

## A history of positive results

	2006	2007	2008	2009	2010	2011	**2012	2013	2014	2015
	€'m	€'m	€'m	€'m	€'m	€'m	€'m	€'m	€'m	€'m
<b>Revenue</b>	4,645.9	4,787.8	4,790.8	4,520.7	4,960.0	5,302.2	5,848.3	5,836.7	5,756.6	<b>6,104.9</b>
<b>Trading profit</b>	383.7	401.1	409.2	422.3	470.2	500.5	559.0	611.4	636.4	<b>700.1</b>
Computer software amortisation	(2.0)	(2.6)	(3.6)	(4.5)	(4.3)	(5.4)	(8.7)	(11.5)	(13.6)	<b>(18.7)</b>
Finance costs (net)	(76.9)	(79.1)	(77.6)	(69.8)	(60.5)	(46.0)	(62.1)	(67.6)	(52.9)	<b>(69.3)</b>
<b>Adjusted earnings before taxation*</b>	304.8	319.4	328.0	348.0	405.4	449.1	488.2	532.3	569.9	<b>612.1</b>
Income taxes (excluding non-trading items)	(57.8)	(64.5)	(62.7)	(61.2)	(68.7)	(74.6)	(77.3)	(79.1)	(79.6)	<b>(81.1)</b>
<b>Adjusted earnings after taxation*</b>	247.0	254.9	265.3	286.8	336.7	374.5	410.9	453.2	490.3	<b>531.0</b>
Brand related intangible asset amortisation	(10.1)	(10.0)	(11.3)	(12.3)	(11.8)	(13.9)	(14.7)	(16.6)	(14.4)	<b>(18.7)</b>
Non-trading items (net of related tax)	(59.2)	1.2	(77.0)	(73.3)	(0.7)	0.1	(135.5)	(352.2)	4.0	<b>13.1</b>
<b>Profit after taxation and attributable to owners of the parent</b>	177.7	246.1	177.0	201.2	324.2	360.7	260.7	84.4	479.9	<b>525.4</b>
<b>Adjusted EPS (cent)*</b>	132.8	142.4	151.8	163.9	192.1	213.4	234.0	257.9	278.9	<b>301.9</b>

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

\*\* 2012 was restated in line with IAS 19 (2011) 'Employee Benefits' which was adopted as required by IFRS in 2013. All other years are presented as reported.



Kerry provides the largest, most innovative portfolio of Taste & Nutrition Technologies and Systems, and Functional Ingredients & Actives for the global food, beverage and pharmaceutical industries.



# Innovation led by insight and science-based expertise



Gerry Behan, President and CEO  
of Kerry Taste & Nutrition

The changing marketplace continues to drive a strong pipeline of innovation and demand for Kerry's Taste & Nutrition Technologies and Systems. Solid market development was achieved in all regions as the Group's global and regional customers addressed consumer demand for 'better-for-you', natural, authentic taste, 'free-from', 'clean-label', convenience products. Developed market conditions remain challenging as food and beverage providers compete to meet changing consumer lifestyles, shopping behaviours and retail / foodservice channel requirements. Regional developing markets continue to be impacted by slower economic growth, significant currency movements and geopolitical issues. Against this background, Kerry's Taste & Nutritional technology portfolio and Global Technology & Innovation Centre network was to the fore in product development and innovation through the Group's commercial alliances.

Reported revenue increased by 8.7% to €4.7 billion, reflecting 4% business volume growth and 2.3% lower net pricing. Trading profit grew by 11.9% to €663m reflecting a 40 basis points increase in divisional trading margin to 14.1%. In 2015, Taste & Nutrition accounted for 76% of Group revenue and 84% of Group trading profit.

## REVENUE

2015

**€4,716m**

GROWTH

**4%\***

## TRADING PROFIT

2015

**€663m**

GROWTH

**+11.9%**

## TRADING MARGIN

2015

**14.1%**

GROWTH

**+40bps**

\* volume growth



## AMERICAS REGION

Combining Kerry's taste capability with the Group's unique Nutrition & General Wellness enabling technology portfolio delivered good growth throughout American food and beverage markets in 2015. Whilst sectoral industry issues impacted overall development in some traditional retail food categories, demand for innovation accelerated in particular in wellness, nutrition and snacking categories, and to meet 'eating-out-of-home' market requirements. Development in Latin American markets was impacted by significant currency devaluation particularly in Brazil which impacted 'out-of-home' food consumption, but Kerry maintained satisfactory business development in Mexico, Central America and the Andean region. The Group's recent acquisitions assisted growth in Brazil despite the prevailing macro-economic conditions.

Sales revenue in the Americas region increased by 21.4% on a reported basis to €2,308m, reflecting 4.1% volume growth and 1.9% lower pricing.



Americas region market development was boosted in 2015 through completion of a number of strategic acquisitions. Kerry achieved solid growth in the North American meat sector and across American foodservice channels through successful deployment of Kerry taste technologies and 'clean-label' systems. The breakfast meats sector provided good growth opportunities at retail and foodservice level, and meat snacking continued to grow across all channels. Kerry coatings, seasonings, fermented ingredient systems and smoke/grill technologies achieved strong growth based on such trends. *KFI Savory*, the U.S. based savoury flavour business of Kraft Food Ingredients acquired in June 2015, performed in line with expectations. *Wynnstarr Flavors* assisted performance in the North American culinary sector and recent acquisitions assisted growth in the Brazilian foodservice sector despite the challenging macro-economic conditions.





Sales revenue in the Americas region increased by

**21.4%**

Central American markets presented good growth opportunities. *Baltimore Spice*, a Costa Rican based spices, seasonings and condiments producer with production facilities located in Costa Rica, Guatemala and Panama acquired in July, significantly strengthened Kerry's market positioning in the culinary and snack sectors in Central America and the Caribbean.

The acquisition of *Red Arrow Products* was completed in December significantly strengthening Kerry's taste technology and savoury flavour industry leadership. Operating from manufacturing facilities in Wisconsin, supported by Application & Development Centres in Germany and Sweden, Red Arrow is a leading supplier of natural smoke flavours and authentic savoury grill flavours serving meat, culinary and food industry markets worldwide.

The snack bar and bagged snacks categories continued to provide good opportunities for Kerry innovation including application of organic certified seasonings. Savoury snack applications achieved strong growth in Mexico and Central America. Development in the bakery sector was driven by increased consumer demand for 'free-from', 'clean-label', convenience and tasteful products, enabling Kerry to record solid growth through its Taste & Nutrition technologies and gluten-free, organic and non-GMO lines.

Trends in international dairy markets limited development through dairy and culinary systems. However Kerry saw breakthrough innovation in the ice-cream sector through its proprietary 'Rapid Fire' development process, and through smoothie and yoghurt applications. Kerry continued to invest in the expansion and broadening of its beverage solutions technologies and to consolidate the Group's industry-leading positioning as provider of the broadest portfolio of beverage solutions. Taste and lower calorie trends provided strong innovation opportunities in soft drinks, coffee and nutritional beverages. The fast growing 'single serve' market led to increased applications in the hot beverage, soup, broth and sauce markets. Kerry's *Big Train*, *DaVinci Gourmet* and *Oregon Chai* brands benefited from growing consumption of 'out-of-home' beverages through c-stores and specialist outlets. Extension of the *Big Train* range to Kerry's branded offering in Latin American markets achieved good results. *Insight Beverages*, a leading U.S. based supplier of custom beverage solutions to foodservice and convenience store channels in North American markets, acquired in May, performed in line with expectations. In September the Group also acquired *Island Oasis* a category leading provider of all-natural premium cocktail mixes and customised beverage solutions serving 'on-premise', restaurant, leisure and hospitality segments of the U.S. market.

Distributed and marketed through national and regional chains, QSR's and independents; the *Island Oasis* portfolio includes innovative frozen and shelf-stable fruit purées, coffee blends, performance nutrition beverage systems and customised 'on-premise' beverage equipment. Headquartered in Walpole (MA), the business operates from manufacturing facilities in Byesville (OH) and Buffalo (NY).

Pharma ingredients continued to achieve good growth throughout excipient and cell nutrition applications across Kerry's global markets. Kerry saw increased success in 2015 through the Group's custom-developed complex media systems in cell nutrition. In September the Group acquired Biothera Inc.'s *Wellmune*® business which produces and markets the unique Wellmune® branded natural food, beverage and supplement ingredient clinically proven to strengthen the immune system – improving health and wellness. Kosher, Halal, non-allergenic, GMO-free, gluten-free and 'Informed Sport' certified, *Wellmune*® is formulated in a growing number of food, beverage and supplement products in more than fifty countries throughout the world.

#### **➕ Read More**

Our Business Model **pg12**  
Our Strategy **pg14**



## EMEA REGION

European economies continued to recover in 2015 but the overall deflationary environment continued to heighten competitiveness in food and beverage markets. Geopolitical instability continued to constrain development in regional developing markets. Kerry's performance throughout the region improved in 2015 with good growth reported in the second half of the year. Nutrition and general wellness trends continued to drive development and innovation in EMEA food and beverage markets with an increased focus on sodium, calorie and fat reduction coupled with continued growth in demand for convenient food and beverage solutions. Establishment of the Group's Global Technology & Innovation Centre in Ireland mid-year, supported by Kerry Development & Application Centres in Moscow, Dubai and Durban has led to a significant increase in customer engagement and innovation. Business volumes in 2015 increased by 0.9% and with lower raw material pricing, in particular dairy, overall net pricing reduced by 2.9%. This resulted in reported revenue of €1,546m similar to the prior year level.

Kerry dairy taste technologies and systems continued to progress development in the bakery, processed cheese and spread sectors. While dairy and culinary technologies were impacted by sectoral competitiveness issues, Kerry recorded good growth and market development in the foodservice channel. Snacking trends provided good growth opportunities in the appetizers market. Demand for clean-label remains the primary driver of innovation in a comparatively flat bakery market providing increased opportunity for Kerry fermentation technology. Competitiveness in the European meat industry accelerated the requirement for more differentiated offerings including improved taste, functionality and nutritional solutions.

Kerry continued to extend its beverage and sweet taste technologies in the EMEA region into wider market sectors including the coffee segment, dairy beverages, nutritional drinks and 'beyond carbonates'. Good growth was achieved through



Kerry's natural extracts range and through water and coffee enhancers. Functional beverages exhibited good growth and the energy drinks, RTD teas and coffee segments provided solid opportunities for innovation. Beverage systems maintained strong growth, in particular in the foodservice channel through Kerry's branded 'Big Train' and 'DaVinci Gourmet' products.

The MENAT sub-region delivered encouraging growth through beverage applications and snacks. Turkey based *PST Pastacilik Gida*, a branded provider of sweet ingredient solutions to the fine bakery, confectionery, ice cream and foodservice sectors in Turkey and the Middle East, was acquired in July. Market conditions in Sub-Saharan Africa remained highly competitive. In South Africa, an increased focus on sodium reduction has generated innovation opportunities in the bakery, snacks and meat sectors. The brewing industry in Africa saw good growth where Kerry achieved solid growth through its beverage taste technologies. Industry development in Russia continues to be impacted by the political and economic situation. While new product development remains on hold, Kerry continued to assist its Russian customers in recipe optimisation and production processes.

The European primary dairy sector has operated under extremely challenging conditions in 2015 as a substantial increase in output in exporting countries and a slowdown in import demand led to a significant fall in prices along the EU dairy supply chain.

The Group's Europe based nutritional technologies continued to advance applications across all life-stage end-use markets in particular in the Asian infant nutrition sector. Ongoing investment at Kerry's facilities in Ireland has significantly expanded production and packaging capability to meet customer nutritional product applications. Demand for hydrolysed proteins for clinical and infant nutrition continues to grow. Enzymes delivered good growth in the bakery, beverage and nutritional sectors.

The recently established Global Technology & Innovation Centre in Ireland also includes Kerry's Global Centre of Excellence for Nutrition. The Centre, which also hosts Kerry's Nutrition Discovery Centre, is the focal point for the Group's commercial, technical, nutritional science and strategic marketing teams and the Global Centre for Kerry customer engagement on nutrition and general wellness.



**In 2015 the Kerry Health and Nutrition Institute supported by a Scientific Advisory Council was launched to bring industry-leading insight to the science and policy of health, taste, nutrition and general wellness.**

Business volumes in the Asia-Pacific region increased by

# 10.1%

## ASIA-PACIFIC REGION

Kerry continued to successfully establish and consolidate a world-class operational and market development footprint throughout the Asia-Pacific region in 2015 – notwithstanding the slowdown in economic growth and currency movements in regional developing markets. Business performance remained robust throughout the region with an accelerated growth level in Q4. Localisation of taste is critical to success in individual markets which increased the demand for innovation and speed of launch. Demand for balanced life-stage nutrition, healthy snacking, convenient tasteful beverage applications and customised foodservice solutions continues to reflect strong growth. Regional business volumes grew by 10.1%. Revenues reported at €784m reflected the business volume growth, 2.1% lower pricing, currency movements and the impact of the sale of the Pinnacle Lifestyle bakery business in Australia completed in May.

Dairy Taste technologies continued to achieve strong growth in particular through cheese and butter systems in Indonesia, Vietnam, China and the Philippines. Snacking trends provided strong innovation opportunities for Kerry culinary applications in South East Asia. Completion of the new sauce systems production plant at Kerry's Plentong facility in Malaysia facilitated continued growth through premium sauce systems in Malaysia and China. Interest in Kerry's 'clean-label' technologies is growing in the region and achieved encouraging development progress in the meat and bakery sectors in Australia and New Zealand.



Demand for protein enriched foods and enhanced nutritional values across all life-stages continues to grow in Asia. Nutritional beverage applications led to increased demand for Kerry hydrolysed proteins particularly in clinical and infant nutrition. Functional hydrolysates also grew sales in the confectionery markets in India and Indonesia. Demand for premium quality infant nutrition products in China continues to provide excellent opportunities for growth through Kerry nutritional technologies and systems. Phase 1 of a major investment programme at the Group's Nantong, China production facility was completed in 2015. The Group's recently acquired 'Wellmune' immune-health ingredient continues to grow applications in Asia – in particular in China where results from a recently completed clinical study added to the growing body of clinical evidence of Wellmune's ability to strengthen the immune system of children.

Beverage taste technologies and systems recorded strong growth – in particular in the foodservice sector throughout Asia-Pacific markets. Kerry's branded beverage offerings including *DaVinci*, *Café D'Amore* and *Big Train* are successfully extending market reach into wider geographic markets and channels – including c-stores. Solid market development continues to be achieved in India through beverage flavours, emulsifiers, texturants and meat systems.

### [+ Read More](#)

Our Markets **pg13**

**Kerry continued to successfully establish and consolidate a world-class operational and market development footprint throughout the Asia-Pacific region in 2015.**



## INNOVATION

Responding to snacking trends

Kerry Foods is an industry-leading manufacturer and marketer of added-value branded and customer branded chilled food products to the Irish, UK and selected international markets.



## Consumer Foods



# Delivering on consumer needs



Flor Healy, CEO Kerry Foods

Consumer confidence has continued to grow in the Irish and UK consumer foods markets in line with the improved economic conditions in both economies. Overall trading conditions remain highly competitive due to retail competitiveness arising from market polarisation and fragmentation, the growth of e-tail and deflationary trends. The deflationary environment has led to some category volume recovery. Discounters have continued to invest for growth which has led to broader retailer focus on EDLP. Changing lifestyles have also contributed to continued growth in snacking – with increased demand for healthier options. Online grocery shopping maintained a strong growth momentum where Kerry outperformed category e-tail growth rates.

The repositioned Kerry Foods' portfolio performed well against this background delivering 3% volume growth in 2015. Net pricing was 1.9% lower. Following the sale of the division's pastry manufacturing assets in August 2014 and the management buy-out of the Direct-To-Store business in the UK completed at the end of February 2015, sales revenue in the repositioned Kerry Foods' portfolio was reported at €1,476m. Trading in the division's continuing businesses improved during the year, with reported trading profit similar to the prior year level at €126m despite the business disposals.

### REVENUE

2015

**€1,476m**

GROWTH

**3%\***

### TRADING PROFIT

2015

**€126m**

GROWTH

**+0.2%**

### TRADING MARGIN

2015

**8.5%**

GROWTH

**+20bps**

\* volume growth

## UK BRANDS

UK Brands had a mixed performance due to category specific competitiveness issues. Mattessons meat snacks continued to drive growth in the meat snacking sector delivering double digit brand growth with increased sales through the convenience channel and successful extension of the brand to the adults' snack segment. In the sausage sector, Richmond branded offerings were impacted by the changing promotional environment. Richmond and Wall's continued to bring innovative offerings to the category through convenient solutions meeting today's consumer lifestyles including 'Richmond Perfect Bake' and 'Wall's Ready Baked'.

Cheestrings performed well in the UK as the children's cheese snack sector returned to growth. 'LowLow Snack Bites' continued to grow the adult cheese snack sector. 'Pure', Kerry Foods' 'free from' brand consolidated its leadership position in the growing UK dairy-free spreads sector. Rollover Ltd., acquired in January 2015, extended Kerry Foods' 'hot-to-go' UK offering and channel distribution.

Richmond and Wall's continued to bring innovative offerings to the category through convenient solutions meeting today's consumer lifestyles.



**+ Read More**

Kerry Foods' strategic growth pillars **pg16**

UK Customer Brands achieved strong growth in each of its key sectors in the meal solutions category – chilled ready meals, 'Ready-to-Cook' and frozen ready meals. The frozen meals category returned to growth where the Bisto and Sharwood's brands achieved excellent growth. The private label spreads sector lost some market share to block butter and spreadable butter but Kerry Foods' spreads volumes outperformed the market significantly. A major investment programme at Kerry Foods' Ossett production facility was significantly advanced in 2015.





## BRANDS IRELAND

Brands Ireland performed well in the Irish grocery market which returned to growth in 2015. The 'Denny Gold Medal' sausage range achieved good brand growth year-on-year. Kerry Foods 'Fire and Smoke' range of branded sliced cooked meats recorded an excellent performance – achieving a number of notable innovation awards including an international taste award at Germany's ANUGA Food Fair.

'Dairygold' maintained its brand leadership position in the Irish spreads market and LowLow consolidated its position as brand leader in the low fat cheese and spreads sectors. 'Charleville' achieved good brand growth in the cheese category and successfully launched the 'Charleville Snackfuls' range of cheese snacking products. 2015 saw 'Yollies', an innovative children's yoghurt snack range, gain increased market momentum in the Irish and UK markets.

International markets provided further growth opportunities for the Cheestrings range. Available now in eight European markets, Cheestrings saw a strong performance in France and Germany in 2015.



Delivering brand growth and innovative, award winning solutions.



Kerry Foods 'Fire and Smoke' range of branded sliced cooked meats recorded an excellent performance – achieving a number of notable innovation awards including an international taste award at Germany's ANUGA Food Fair.



'Dairygold' maintained its brand leadership position in the Irish spreads market.



# Sustainability



## At the heart of our business

We are committed to the highest standards of business and ethical behaviour to fulfilling our responsibilities to the communities which we serve and to the creation of long-term value for all stakeholders on a socially and environmentally sustainable basis.

**+ Read More**

*'Towards 2020' strategy pg41*

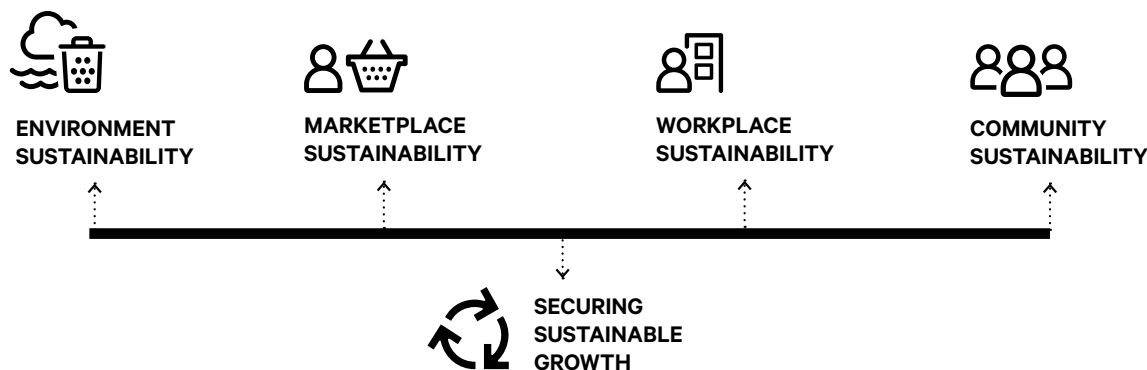
At Kerry Group, sustainability is at the heart of our business.

As a world leader in Taste and Nutrition and as a major consumer foods organisation in Europe, we recognise our dependence on natural ecosystems, our responsibilities to our communities and the changing expectations of our customers and consumers. Our sustainability journey is one of continuous improvement, which aims to deliver a better future for all our stakeholders and is a significant driver of behaviour within our organisation.

### OUR APPROACH

At Kerry Group, we seek to identify the challenges and opportunities associated with sustainability through an inclusive process of engagement and risk management. In 2015, the Group launched its comprehensive 'Towards 2020' strategy to build on the success achieved through our '1 Kerry Sustainability Programme' between 2012 – 2015. 'Towards 2020' is a broad based strategy with 4 key pillars, covering all aspects of our business, and provides a framework to direct the activities that will ensure Kerry achieves its goal of sustainable growth.

Under each pillar, we have prioritised the most pertinent issues for Kerry Group and its stakeholders. We have carefully examined the ways in which we can lessen our impacts and create value, and we have set measurable targets for improvement in these areas over a five year period.



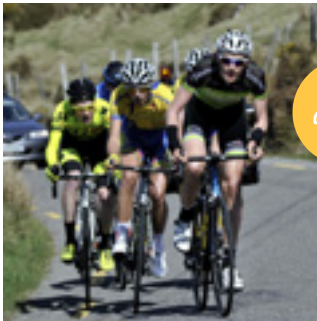


**+ Read More**  
Sustainable vanilla **pg53**

Reduction in Waste sent  
to Landfill in 2015

**-12%**

**+ Read More**  
Environment **pg42**



**+ Read More**  
Education, Arts and Sport **pg53**

99% of our global sites  
were accredited under  
Global Food Safety  
Initiative (GFSI) standards.

**99%**

**+ Read More**  
Workplace **pg46**



**+ Read More**  
Concern RAIN project **pg51**



**+ Read More**  
Focus on food waste  
initiative **pg43**

### **+ Read More**

Our Strategy **pg14**

Our sustainability journey is one of continuous improvement, which aims to deliver a better future for all our stakeholders and is a significant driver of behaviour within our organisation.

### **+ Read More**

Focus on food waste initiative **pg43**

Sustainable Dairy **pg47**

Concern RAIN project **pg51**

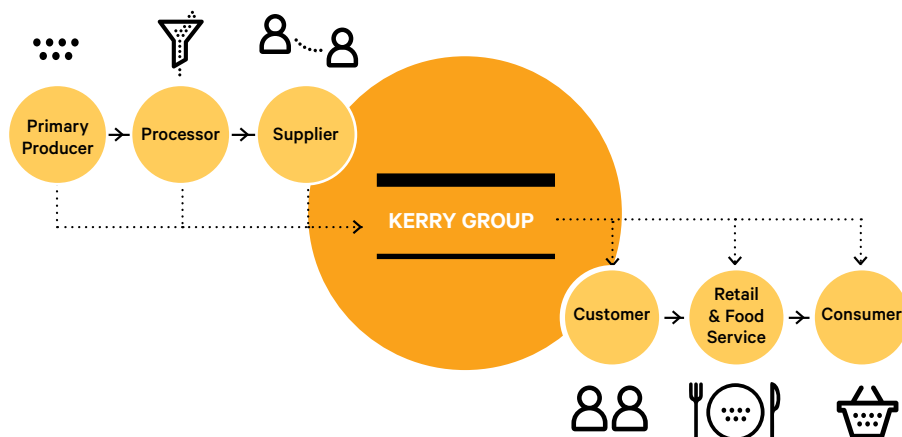
### **+ Read More**

Board of Directors **pg62**

## **MATERIALITY**

In the course of developing our 'Towards 2020' programme, we consulted widely with internal and external audiences, to identify those issues of material importance for our business and its stakeholders. This process has helped us refine our approach and focus on those critical areas of impact. This sustainability review provides details of the Group's performance on those issues.

## **OUR VALUE CHAIN**



## **STAKEHOLDER ENGAGEMENT**

Stakeholder engagement continues to be an essential element of our work on sustainability. As a predominantly B2B business, we are attuned to the needs of our customers and are in continuous dialogue with them and other members of our stakeholder community. Our engagement takes place at many levels within the organisation and in 2015, Kerry Group sought to further enhance the engagement process with dedicated resources and the roll out of online tools to support the practice. Feedback is captured on a continuous basis and helps to inform the ongoing review process of our 'Towards 2020' programme, both in terms of performance and materiality.

## **COLLABORATION**

Delivering sustainability at Kerry Group is a shared responsibility and each employee has a role to play in realising our ambitions for 2020 and beyond. However, we accept that the broader challenges presented by sustainability demand a more holistic approach. In addition to promoting greater internal cooperation, we are engaged in partnerships with customers, suppliers and relevant third parties to help achieve our 2020 goals. In this sustainability review, we reference a number of important multi-stakeholder initiatives that Kerry has been involved with during 2015.

## **GOVERNANCE**

Sustainability within the organisation is governed by the Kerry Group Sustainability Council who provide leadership, appraise performance and promote industry best practice throughout the Group. The Sustainability Council's membership comprises Directors of Group functions with responsibility for the implementation of all elements of Kerry's sustainability programme. The council is led by a senior executive who reports directly to the CEO, who in turn reports to the Kerry Group Board of Directors on sustainability issues.



	Environment Climate / Efficiency / Waste	Marketplace Quality / Sourcing / Nutrition	Workplace People / Ethics	Community Social / Economic
ASPIRATIONS	Continue to improve our environmental stewardship	Through our focus on science and technology development, we will generate innovative products that contribute to improving health and wellbeing across all life-stages, creating better lifestyles for people today and future generations	Continue to conduct our business in a responsible and ethical manner and be an employer of choice	Be a responsible neighbour by driving and supporting outreach initiatives in our local communities
	Drive efficiency in resource use (energy & water)	Through our leading innovation and product development expertise, we will continue to enhance the nutritional value of our ingredients and continue to assist our valued customers	Through our Code of Conduct we will continue to provide a safe and healthy environment in which to work	Continue to partner with the international programme to alleviate world hunger in developing regions
	Exceed in efforts to reduce waste and increase recycling	Make quality a distinguishing capability	Continue to embrace diversity and promote inclusion across the Group	Promote Kerry Community Lead Projects in each region
	Deliver on our brand sustainability strategy plan	Ensure responsible sourcing practices		
FIVE YEAR STRATEGIC PLAN	Achieve 100% ISO 14001 approval (all Kerry manufacturing sites)	Leverage Kerry's Taste & Nutrition technology platforms and applications expertise to improve nutritional values of food and beverage products in partnership with our customers	Drive ethical business practices and compliance to Kerry Code of Conduct	Assist and actively engage in development programmes in our communities to improve - health and nutrition, entrepreneurship, amenity/community development projects, education, arts and sport, sustainable agriculture
	Achieve an overall 13% reduction in GHG emissions by 2020 compared to baseline year 2013, reflecting an overall 25% reduction compared to baseline year 2009*	Deliver on our Kerry Foods' 'Better For You' Programme	Ensure wages are competitive and all labour standards are fair, equitable and meet or exceed local guidelines	Assist Concern Worldwide in implementing the 'RAIN' (Realigning Agriculture to Improve Nutrition) project in the developing world
	Reduce water use by 7% by 2020 compared to baseline year 2013, reflecting an overall reduction of 11% by 2020 compared to baseline year 2011	Partner with our customers in sustainable sourcing of strategic ingredients. Achieve Kerry sustainable raw material sourcing targets across our raw material categories	Embrace diversity across our workforce, our customer base and the communities we serve	Develop Kerry Community Lead Projects in each region
	Reduce waste by 12% by 2020 compared to baseline year 2013, reflecting an overall 32% reduction compared to baseline year by 2011	Ensure 100% of strategic and key supply partners are formalised as members of SEDEX and have signed our Supplier Code of Conduct	Continue to improve Health and Safety metrics across all Group sites	Assist community development programmes in association with Kerry Vanilla Project in Madagascar
	Achieve Zero Waste to Landfill where technically feasible in each jurisdiction	Maintain Global Food Safety Initiative (GFSI) certification of all Kerry manufacturing sites	Promote training and learning opportunities to ensure ongoing development	
2016 GOALS	Achieve Group ISO 14001 approval targets for 2016	Implement Kerry Global Quality Management System (GQMS) and Kerry Foods Manufacturing Standard (KFMS). Certify all plants against an accredited Global Food Safety Initiative (GFSI) standard	Drive day to day business decisions through our defined Kerry Values	Formalise community engagement programmes in all our communities through Kerry Community Relations Committees and Community Relations Ambassadors
	Implement Kerry Carbon Reduction Projects for 2016 in line with our 2020 targets	Maintain SEDEX membership across all Group manufacturing sites	Achieve annual target for all Kerry employees to have completed the Kerry Code of Conduct training through the Learning Academy	Share community support best practices through 'Kerry Community Relations' site
	Implement Kerry Water Reduction Projects for 2016 in line with our 2020 targets	Achieve SMETA or equivalent certification across all Kerry Developing Market manufacturing plants	Ensure compliance with Kerry Global Health & Safety Management Systems	Formalise support for employee philanthropy programmes
	Implement Kerry Waste Reduction Projects for 2016 in line with our 2020 targets	Support and partner with International Nutrition Research programmes	Achieve a 5% reduction in recognised Global Health & Safety metrics across all sites	Implement our Origin Green Programme in Ireland
	Implement our Origin Green Programme in Ireland	Achieve Kerry Foods' 'Better For You' Programmes' annual goals	Promote diversity by building a workplace that is free of prejudice and actively fosters the appreciation of diversity throughout the organisation	
		Progress Kerry sustainable raw material sourcing objectives	Implement our Origin Green Programme in Ireland	
		Promote Health, Nutrition & General Wellness through Kerry's Nutrition Centre of Excellence and the Kerry 'Health & Nutrition Institute'		
		Implement our Origin Green Programme in Ireland		

\*Achievement of total target improvement by 2020 is dependent on completion of a planned new Combined Heat and Power (CHP) energy solution at the Listowel plant in Ireland.

# Environment

The increasing impact of man-made activities on natural ecosystems is widely acknowledged. Climate change, resource scarcity, access to water, all of these are issues with universal consequences. To help ensure good environmental stewardship within our operations, the Group's Environmental Policy sets out our core goals for managing impacts at site level. Ongoing improvement projects in our focus areas of Emissions, Waste and Water are supported by new technologies, processes, innovation and by some of the most experienced and highly trained experts in the industry.

## EMISSIONS

Green House Gas (GHG) emissions reduction is a priority for Kerry Group. Over the past number of years we have been increasingly focused on managing and reducing our carbon footprint. We measure our footprint in accordance with the GHG Protocol and since 2013, have employed the services of an independent third party, Jacobs, to provide assurance on our carbon measurement and performance. We report annually to CDP (see Note 6), using it to communicate and benchmark our performance and we are continuously striving to improve our scores. Kerry Group has targeted a 13% reduction in carbon intensity between 2015 and 2020, compared to baseline year of 2013. This builds on a 13.4% reduction achieved since 2011. Although our rate of reduction slowed in 2015, due to changes in production volumes at key sites and delays to some carbon efficiency projects, we realised a carbon saving of 1.6% and remain on track to meet our 2020 goal.

Carbon	2013 Base Year	2020 Target	2015 Target	2015 Performance
CO <sub>2</sub> per Tonne*	323.28kg	281.25kg	311.27kg	317.99kg
% Change		-13%	-3.9%	-1.6%

\*Novem Adjusted

### Notes

- 1) The GHG Protocol sets the global standard for how to measure, manage and report greenhouse gas emissions.
- 2) Kerry Group's KPI on Carbon is a relative measure of CO<sub>2</sub> divided by Tonnes of Finished Goods.
- 3) Our measurement and target performance is of Scope 1 & 2 emissions from our manufacturing facilities (this accounts for 98% of Kerry Group's Scope 1 & 2 emissions)
  - a. Scope 1 emissions consist of fuel and fugitive emissions. No process emissions are generated from Kerry's activities.
  - b. Scope 2 emissions consist of electricity consumption by sites.
- 4) Kerry Group's actual performance has been adjusted to reflect like-for-like performance to our baseline year. We use the Novem Methodology for carbon reporting to adjust our baseline target reduction number in order to account for changes to product mix that have had a material effect on carbon intensity.
- 5) The Novem Methodology predicts what the absolute GHG emissions for the production of a group of products would be if the base year emissions per tonne were applied to today's production levels and product mix. This allows a meaningful comparison between two production periods based on improvements in the emissions per tonne for each product group. The Novem procedure applies only where targets are relative and Kerry Group measures GHG emissions on a CO<sub>2</sub> per tonne output basis.
- 6) CDP is an international non-profit working with business, investors and governments to help manage environmental risk and drive emissions reduction.

## JACOBS SUMMARY ASSURANCE STATEMENT

Jacobs has assured Kerry's greenhouse gas performance data (scope 1 and 2 emissions) from its manufacturing facilities for 2015 in accordance with AA1000AS (2008). Jacobs evaluated the systems and processes used to collate and report the greenhouse gas performance data. Jacobs has been able to obtain a moderate level of assurance for the data reported in the Group Annual Report 2015. Jacobs full assurance statement can be found on Kerry's website [www.kerrygroup.com](http://www.kerrygroup.com)

**JACOBS**



Reduction in CO<sub>2</sub>  
intensity in 2015

**-1.6%**

Reduction in Waste  
intensity in 2015

**-10.7%**

Reduction in Water  
intensity in 2015

**-4.7%**

Reduction in Waste sent  
to Landfill in 2015

**-12%**

Food Recovery in  
Ireland & UK

**27,500 Cases**

Performance versus ISO  
14001 approval targets

**98.5%**



## Malaysian carbon award

In 2013, the Malaysian Prime Minister announced plans to work towards a 40% national reduction in carbon intensity by 2020. To help manage this transition, Malaysia initiated the MYCarbon programme. This National Corporate GHG Reporting Programme aims to promote advanced GHG reporting and management by organisations in Malaysia, particularly in the private sector. Each year the programme recognises companies that have excelled in their carbon reduction efforts and staff at Kerry's site in Plentong were delighted to be shortlisted for last year's award, in recognition of a 21% reduction in carbon intensity achieved at the site during 2015.



## WATER

Kerry is focused on both the quantity of water used in our operations and the quality of the water discharged from our sites. We also recognise that water stress is a growing global issue and in 2015 we began to assess our operations base with a view to focusing greater attention on conservation measures at sites in water stressed regions. Having already achieved a 4.2% reduction in water use between 2011 and 2014, Kerry has targeted a further 7% reduction by 2020. In 2015, we reduced our water consumption by 4.7%, ahead of target for the year, and on track to deliver on our 2020 goal.

Water	2013 Base Year	2020 Target	2015 Target	2015 Performance
m <sup>3</sup> per Tonne FG	4.90	4.55	4.78	4.67
% Change	–	-7%	-2.4%	-4.7%

### Notes

- 1) Our target for water is a relative measure of metres cubed (m<sup>3</sup>) divided by tonnes of product produced
- 2) Our target performance is water usage at our manufacturing facilities
- 3) Our actual performance has been adjusted to reflect like for like performance to our base year



### Water reduction at Padiham (UK)

At our site in Padiham, England, we manufacture technical ingredients for the UK food industry. Through a focus on water conservation measures, the site has achieved a 72% reduction in water intensity over the past two years. This has been achieved through a combination of short and long term projects that include improved monitoring, process optimisation, education and training.

Targeted sites  
certified

98.5%

## ENVIRONMENTAL MANAGEMENT SYSTEMS

To support our efforts on environmental stewardship, accredited environmental management systems are progressively being established across our sites. Building on the 100% accreditation of all Kerry Foods sites, the Group continues to make good progress against its ISO 14001 implementation targets. In 2015, 98.5% of targeted sites were certified. We will continue to advance certification of our remaining sites in 2016 with anticipated certification of all qualifying sites in 2017.

## WASTE

In addition to reducing our overall waste volumes, we look to divert waste from landfill and work with our suppliers to reduce waste at source. We seek opportunities to turn waste into a resource and in 2015 launched a project in Malaysia to turn by-product from our Waste Water Treatment Plant into organic fertiliser. We also have an increasing focus on food waste and partner with a range of charities to distribute food products to those in need within our local communities. Having achieved a 20% reduction in waste between 2011 and 2014, Kerry committed to a further waste reduction of 12% between 2015 and 2020. In 2015, we achieved an overall 10.7% reduction in waste intensity and a 12% reduction in waste sent to landfill.

Water	2013 Base Year	2020 Target	2015 Target	2015 Performance
Kgs per Tonne FG	103.23	90.84	99.10	92.15
% Change	–	-12%	-4%	-10.7%

### Notes

- 1) Our target is a relative measure of waste divided by tonnes of product produced.



### Focus on food waste (UK & Ireland)

In 2015, almost 25,000 cases of Kerry Foods products in Ireland were diverted from waste to those most in need through our charity partner 'Heart to Hand'. Through this initiative, food which meets our strict quality standards but which cannot be sold, is redistributed to a range of hostels, shelters and kitchens that serve the poorest in our communities. Following the success of this initiative in Ireland, we have looked to replicate the model in the UK and towards the end of 2015 began working in partnership with 'FoodShare'. In that short space of time we have already donated another 2,500 cases of food to those in need in the UK.

# Marketplace



At Kerry Group, we know that the products we produce have an impact beyond our factory gates. In addition to producing our own consumer brands, our Taste and Nutrition ingredients are an integral part of some of the world's best known food and beverage products. We want to ensure that as well as improving taste and nutrition, we can demonstrate that our raw materials come from sustainable sources, and that those who help to produce them are treated fairly. Through our activities under the Marketplace pillar, we will play a positive role in helping to transform the health and sustainability of consumer diets.

## HEALTH & NUTRITION

Everyday millions of people consume food or beverage products produced by Kerry or by our customers using our products. Through our leading innovation and product development expertise, we work closely with our customers to develop and deliver great-tasting, nutritious foods and beverages. We do this through combining our expertise in dietary requirements and nutrition with the most comprehensive portfolio of Taste and Nutrition solutions and an understanding of consumer attitudes to health and wellness.

2015 saw Kerry continue to expand its Taste and Nutrition capabilities with the official opening of the Kerry Global Technology & Innovation Centre in Ireland. This state of the art facility is home to some of the world's leading food and nutrition experts and the Group's Global Centre of Excellence for Nutrition. During the year we also launched the Kerry Health and Nutrition Institute which aims to be the ultimate destination for expert insight into the science and policy of health, nutrition and general wellness. We continue to invest heavily in Research Development & Application and in 2015 our global spend in this area was €234 million.

### + Online

See [www.kerry.com](http://www.kerry.com)  
for more information

Spend on Research,  
Development &  
Application in 2015

**€234 million**

Priority categories  
identified for  
responsible sourcing

**10**

Kerry manufacturing sites  
with GFSI certification

**99%**

Kerry manufacturing sites  
with SEDEX membership

**100%**

Kerry developing region  
sites with SMETA or  
equivalent certification

**97%**

**We will play a positive  
role in helping to  
transform the health  
and sustainability of  
consumer diets.**

8% reduction in  
calories in fat  
spreads in 2015

**8%**

## KERRY FOODS' 'BETTER FOR YOU' PROGRAMME

Nutritional Improvements 2015



**The primary focus of our 'Better For You' programme is to reduce calories, saturated fat, and sodium, and add positive nutrition as appropriate without compromising on taste.**

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

In 2012, Kerry Foods joined the Department of Health Public Health Responsibility Deal calorie reduction pledge in the UK. As part of this pledge, our goal was to reduce calories by on average 5% in key brands across the categories in which we operate. Building on our 2012 to 2014 achievements within the uncured meat, cheese and sausage categories, we delivered an 8% reduction in calories in fat spreads in 2015. In 2014, Kerry Foods also became a signatory to the saturated fat reduction pledge under the UK Responsibility Deal. As part of this commitment, a 5% reduction in saturated fat in sausage was achieved in 2015. Building on previous salt reduction work, we continue to explore new technologies to achieve further sodium reduction across our portfolio. With regard to new product development, Yollies, an innovative children's yoghurt snack range, was launched in 2015. This product range contains strictly controlled levels of calories, saturated fat and sugar and is categorised as non HFSS (high fat, sugar, salt) under the UK Department of Health nutrient profiling scheme. Yollies is a source of calcium and vitamin D.



### Kerry Health and Nutrition Institute

The Kerry Health and Nutrition Institute aims to provide information on scientific research and communicate the latest developments in nutrition science and health, to further highlight nutritional advancements in food and beverage product development. Supported by a Scientific Advisory Council, which includes independent and recognised leaders in the area of nutrition science and research, the institute will promote and develop technologies that meet consumer needs as they seek to pursue healthier diets and lifestyles, and bring industry leading insight to the science and policy of health, taste, nutrition and general wellness.



**Online**

Find out more at  
**[kerryhealthandnutritioninstitute.com](http://kerryhealthandnutritioninstitute.com)**

99% of our global sites  
were accredited under  
Global Food Safety  
Initiative (GFSI) standards.

99%

## QUALITY & FOOD SAFETY

Kerry is committed to excelling in the provision of the highest quality products and to ensuring the complete safety of all the goods which we produce. Under Kerry's Global Quality Management System, each business unit has developed exacting product and service standards that support our goals. We have put in place resources and programmes to assure superior manufacturing practices, that reflect continuous improvement through our people, practices and processes. We work with recognised assurance standards to provide confidence to our customers and in 2015, 99% of our global sites were accredited under Global Food Safety Initiative (GFSI) standards.

### + Online

See [www.kerry.com](http://www.kerry.com)  
for more information

## RESPONSIBLE SOURCING

Kerry Group sources goods and services from independent suppliers located around the world. To help mitigate the environmental impacts associated with the production of some commodities, it is essential that we work together with customers and suppliers to understand how to build sustainable and resilient supply chains. As a responsible buyer we also want to ensure that workers who produce these raw materials are treated in accordance with our own values around fairness and respect.

## SUSTAINABLE AGRICULTURE

As part of our 'Towards 2020' programme, Kerry Group has identified ten raw material categories that are of strategic importance to our business. Within these categories we seek to use our purchasing power to support sustainable production practices throughout the supply chain.

Dairy	Citrus
Meat	Herbs & Spices
Palm Oil	Fruit & Vegetables
Cocoa & Coffee	Sugar & Molasses
Vanilla	Paper Packaging

In each category we identify the priority issues and look at how we can drive improvement. We adopt a tailored approach to our sourcing targets and while certification has an important role to play, in some regions more direct involvement is required (see our vanilla sourcing project on pg 53). In 2015, we have continued the work to map our supply chain and to build a roadmap for achieving our sustainable sourcing targets by 2020.

In 2015, Kerry Group also joined the Sustainable Agriculture Initiative (SAI), building on our membership of the pioneering 'Origin Green' programme in Ireland. Our involvement with these initiatives will help us to pursue more collaborative engagement with key stakeholders and create the basis for a common approach to sustainable sourcing.

SSAFE 

## SSAFE Membership

Kerry Group is a member of SSAFE, a global non-profit membership organisation working to integrate food safety, animal health and plant health across food supply chains to improve public health and wellbeing. The SSAFE initiative brings together industry leaders, government bodies, academia and other stakeholders to find ways to enhance the integrity of the food system.

It is essential that we  
work together with  
customers and suppliers  
to understand how to  
build sustainable and  
resilient supply chains.



### + Read More

Sustainable Vanilla [pg53](#)





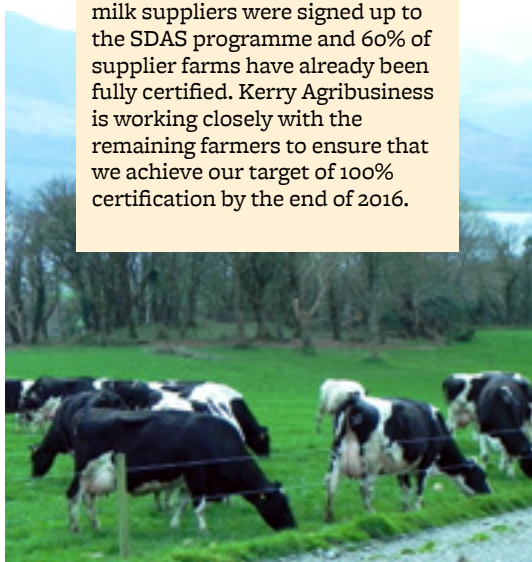


## Sustainable Dairy

In Ireland, Kerry Group is an inaugural member of the Origin Green initiative (see opposite). At farm level, the programme has developed the 'Sustainable Dairy Assurance Scheme' (SDAS), the first internationally accredited, national sustainable dairy programme in the world.

As part of our sustainable sourcing goals, we have set ourselves the target of sourcing 100% of our milk in Ireland from SDAS certified farms by the end of 2016, alongside the sustainable sourcing of dairy raw materials in North America in collaboration with our customers. In Ireland, our entire supplier base will undergo detailed independent quality and sustainability audits every 18 months, which will provide a carbon footprint for each farm. In addition to these audits, farmers will be supported with practical advice on how to improve efficiencies and reduce their environmental impact through the online 'Carbon Navigator Tool' and our peer-to-peer learning programme 'Focus on Profit'.

At the end of 2015, 97% of our milk suppliers were signed up to the SDAS programme and 60% of supplier farms have already been fully certified. Kerry Agribusiness is working closely with the remaining farmers to ensure that we achieve our target of 100% certification by the end of 2016.



## SOCIAL COMPLIANCE

Kerry Group looks to ensure that those we do business with meet our expectations around human rights and the fair treatment of workers. Our 'Supplier Code of Conduct' sets forth the standards to which Kerry Group expects its suppliers to adhere. This code is a mandatory part of the supplier selection process and is subject to continued monitoring. Kerry uses the Supplier Ethical Data Exchange (SEDEX) to share details of our social and environmental performance and to monitor supplier compliance. We are working with strategic and key supply partners to ensure that by 2020, all are registered members of the platform. In 2015, 100% of Kerry manufacturing sites were registered members of SEDEX and 97% of sites in developing regions had achieved SMETA (SEDEX Members Ethical Trade Audit) or equivalent certification.



## ORIGIN GREEN

In 2013, Kerry became an approved member of Origin Green, An Bord Bia's (the Irish Food Board) sustainability programme, designed to make Ireland a world leader in sustainably produced food and drink. The programme operates at processor and primary producer level and as part of Kerry's commitment, we have submitted a 'Sustainability Charter' for our Irish based operations. This charter outlines our ambitions and targets in key sustainability areas over a defined period of time and our performance against these targets is verified by independent audit body, SGS, on an annual basis.



**Online**

See [www.kerry.com](http://www.kerry.com) for more information



The Group has established best practice guidelines for nutritional labelling across our portfolio, in line with Food Information to Consumers legislation (EU Regulation No 1169/2011).

## MARKETING AND COMMUNICATIONS

Kerry is passionate about promoting the real food values of our products and in our customer communications we ensure a responsible approach, with particular consideration given to the status of children. All our advertising and brand positioning conforms to national advertising codes of practice. We also provide clear information necessary for consumers to make informed choices through on-pack nutritional labelling and the development of additional consumer information services e.g. brand websites. The Group has established best practice guidelines for nutritional labelling across our portfolio, in line with Food Information to Consumers legislation (EU Regulation No 1169/2011). In addition to mandatory labelling requirements, we support the voluntary addition of front of pack 'Reference Intake' information to aid consumer choice. We also employ customer enquiry lines which are manned by experienced teams who help to answer all nutritional queries in an efficient and professional manner.

# Workplace

With 23,000 employees across the globe, our diverse high performance teams are key to our innovative culture and ongoing success. Retaining and developing their enthusiasm and determination to succeed is central to the Group's strategy for growth and development. At Kerry Group, we aim to provide an environment where each employee can flourish. To do this we focus our efforts under the workplace pillar on ethical business practices, mutual respect and the provision of a safe and healthy workplace.

At Kerry Group we aim to provide an environment where each employee can flourish.



## ETHICS

Achieving business results ethically and legally will always be an absolute expectation at Kerry Group because our everyday actions are the basis of trusting, productive relationships with each other and with our stakeholders. Through our Code of Conduct, we set out a commitment to live our values and focus attention on ethical business practice. In 2015, we developed an online training module around the Code of Conduct to help each employee fully understand what is expected from them under the Code.

Kerry remains a non-partisan organisation and Group businesses are prohibited from supporting political parties, either directly or indirectly. The Group or its constituent businesses do not make financial contributions to political parties, political candidates or public officials.

### + Online

For more details on all our policies and codes in relation to the workplace, including Human Rights and Business Ethics, please visit our Group website at [www.kerrygroup.com/sustainability/workplace](http://www.kerrygroup.com/sustainability/workplace)



Kerry's global workforce

**23,000**  
employees

Improvement in Health  
& Safety metrics

**10%**

Learning & Development

**Customised  
Kerry training  
programmes**

Kerry's position on child  
and forced labour

**Zero  
tolerance**

Our everyday actions  
are the basis of  
trusting, productive  
relationships with  
each other and with  
our stakeholders.



## HUMAN RIGHTS

As a business, we also want to ensure that our policies reflect our commitment to upholding internationally recognised human rights and these policies are aligned with relevant United Nations and International Labour Organisation conventions. Foremost among these is our commitment to no child or forced labour. All employment with Kerry is voluntary. We do not use child or forced labour in any of our operations or facilities. We do not tolerate any form of unacceptable treatment of workers and we fully respect all applicable laws establishing a minimum age for employment, in order to support the effective abolition of child labour worldwide. In 2015, we continued to extend our standards on these and other labour issues into our supply chain, through our Supplier Code of Conduct. This code sets out the expectations we have of our key business and strategic supply chain partners.

**We do not use child or forced labour in any of our operations or facilities and we do not tolerate any form of unacceptable treatment of workers**

Kerry Group has a range of processes and systems in place to manage compliance with the above requirements and also operates an Employee Concerns Disclosure Policy. Under this policy, employees with concerns about labour issues, or any other business practice, can report these freely through an appropriate independent channel.

## HEALTH & WELLBEING

The health and safety of our employees is a key priority at Kerry Group and the Group's safety policy establishes the fundamental principles that all employees must consider in their role and their business decisions. Implementation of our Global Health & Safety Management Systems continues throughout all Group businesses and in 2015 we achieved a 10% improvement in regional global safety metrics, ahead of our stated target of 5%.

We also recognise that there are other factors that can impact upon employee wellbeing and at Kerry we aim to support our colleagues in leading healthy, active lifestyles. Across the Group in 2015, we have supported a range of initiatives at site level to encourage people to become more active, to improve their diet and to pay greater attention to their health and wellbeing.

## LEARNING & DEVELOPMENT

At Kerry we aspire to develop a culture of high performance and are committed to helping colleagues grow and develop. We believe in people with big ideas and want to encourage learning opportunities. Kerry's Learning Academy and our HR teams help to deliver structured training and development programmes for employees, through which they can acquire the skills, knowledge and capabilities necessary for further growth within the organisation.

Our 'Best-in-Class' Graduate Development programme provides an accelerated career path and is designed to equip graduates with the knowledge and skills necessary for them to take on early leadership roles in Kerry.



## DIVERSITY & INCLUSION

The Group is committed to the principles of equality and diversity and has fully adopted all relevant equality and anti-discrimination legislation. We encourage and embrace differences in terms of education, experience, values and culture. We recognise that to thrive globally requires a strong foundation of tolerance and the ability to develop a truly diverse workforce. It is our policy to communicate honestly and openly with each other at all levels and employees are encouraged and expected to contribute their thoughts and ideas during this two-way process. In 2015, we continued the roll out of our unique and customisable 'mykerry' platform to facilitate greater employee communication and collaboration.

**We encourage and embrace differences and recognise that to thrive globally requires a truly diverse workforce.**

### Health & Safety Award

In May 2015, Kerry received the award for the best project to improve occupational health and safety at the annual Prévigesst Mutual Banquet in Quebec. At our Granby plant we manufacture liquid flavours in stainless steel tanks and the manipulation of these tanks had previously caused some safety concerns. Through an innovative redesign, the team at Granby customised the tanks to better suit the plants needs and minimised the risks associated with their handling. Since the conclusion of the project there have been no incidents involving the tanks and employee safety on site has been further enhanced.



# Community



## + Read More

Human Ingredient,  
Art Workshop,  
Brazil **pg52**

With its roots in the cooperative sector in Ireland, Kerry Group has a proud record of community engagement and support. Since its foundation, the Group has contributed significant time and resources to initiatives and charitable causes in the regions where we operate and the philosophy of positive engagement with local communities continues to be a core value of the organisation.

Within local communities our primary areas of focus and support are as follows:

- a) Health, Hunger & Nutrition
- b) Entrepreneurship
- c) Community Development
- d) Education, Arts & Sport
- e) Sustainable Agriculture

Broad community engagement programme

**5**  
focus  
areas

Phase 1 of Concern RAIN Project in Zambia

**Completed**

Employee support for charity partners in LATAM

**95%**

Food donated to those in need in North America

**272 tonnes**

In the past 5 years the Kerry Group has contributed over €1.25 million to the 'RAIN' project in Zambia.

**€1.25**  
Million



## HEALTH, HUNGER & NUTRITION

As the world's leading Taste and Nutrition company, Kerry Group understands the primary importance of nutrition across all life stages. We welcome the call to action provided by the UN Sustainable Development Goals particularly on the achievement of agreed targets for child stunting. Under-nutrition during the first 1000 days is a leading cause of stunting and has serious implications for a child's future wellbeing and prosperity. In Zambia, where more than one million children are impacted, Concern is working to alleviate child stunting through the award-winning 'RAIN' (Realigning Agriculture to Improve Nutrition) Project. Given the fit between the aims of this project and Kerry's objectives on nutrition, we are proud to support their work.

### CONCERN worldwide

#### Concern RAIN project, Zambia

Since 2011, Kerry Group has been supporting Concern's pioneering work in the Mumbwa District of Zambia. The first phase of the RAIN project has now concluded and the full impact of the programme over the last five years is currently being assessed by the International Food Policy Research Institute (IFPRI). Initial results are encouraging and show that the RAIN project has resulted in a diversification in diet among participants, improved feeding practices among pregnant and lactating women and delivered a greater gender balance in household decision making, as well as in community and district structures.

Highlights from the RAIN Project in 2015 include:

- A 40% increase in the number of group meetings led by Smallholder Model Farmers
- 1,998 home visits to individual farmers, about 45% of the total number of beneficiaries
- Ongoing engagement with rural health clinics and environmental health technicians to deliver health and nutrition information including the provision of visual aids to support learning.
- Distribution of pumps and sprayers to enhance agricultural activities in light of the poor rainy season in 2014/2015
- Provision of 53 additional solar driers that help to reduce the time taken to dry surplus fruit and vegetables
- Partnering with the District Medical Office on the distribution of weighing scales to health centres to allow for the monitoring of children's growth and to improve the rates of community outreach
- Rehabilitation of a further 10 boreholes which was of particular significance given the poor rains during this period.



Queen, 36, stands in her vegetable garden. Queen is a participant in Concern's rain programme and has received tools, seeds, livestock and training. Gareth Bentley/Concern/Zambia/2014.





## ENTREPRENEURSHIP

Through its daily activities and community development work, Kerry Group seeks to foster enterprise, innovation and development. We promote learning opportunities for young people through work placement programmes at our major corporate centres. Our responsible sourcing practices look to support smallholder farmers and much of our community development projects take place in rural areas, giving rise to local employment, supporting disadvantaged areas and promoting local enterprise. For example our support for Listowel Food Fair, which takes place in South West Ireland, promotes awareness of the quality food and beverage products made by local entrepreneurs.

Through our daily activities and community development work, we seek to foster enterprise, innovation and development.



### Kerry Park

In 2015, our site in Owen, Wisconsin, adopted a local park that was neglected and in need of repair. The community team repaired the building, added picnic tables and a custom-made bench. The park renovation has been welcomed within the community and future projects include adding more recreation equipment, implementing a waste stream programme and adding an outdoor cooking area. In light of Kerry's efforts on this project, the park has been renamed, Kerry Park.



## COMMUNITY DEVELOPMENT

Kerry Group and its employees around the world play a key role in efforts to support local communities where we operate. In Ireland, the Group provides ongoing support for the Children's Medical and Research Foundation, the Hospice and our Hospitals. In 2015, we also gave vital funding to local mountain rescue teams and provided sensory equipment to schools enrolling children with acute learning difficulties. In Latin America, our 'Human Ingredient' programme continued to harness the generosity and goodwill of our colleagues in the region. They contributed their time, skills and donated practical gifts to provide support for local children in need and achieved a participation rate of 95% in a campaign to support their chosen charity partners.

In the US, our 'Live United' Campaign continues to engage Kerry employees in projects that have a meaningful and lasting impact on their communities. In 2015, they donated over 272 tonnes of food to those in need, mobilised recycling programmes, raised funds for local charities and helped to plant community gardens.



Kerry Group and its employees around the world play a key role in efforts to support local communities where we operate.



### EDUCATION, ARTS AND SPORT

Kerry sponsors a range of activities across the areas of Education, Arts and Sport. The Group provides funding for scholarships, local cultural and performance programmes and a range of sporting disciplines. In 2015, we continued our support for Siamsa Tíre's National Folk Theatre of Ireland and 'Listowel Writers Week - International Literary Festival', including the prestigious 'Kerry Group Award' for Irish fiction. We contributed to the US Embassy's 'Creative Minds Series' that aims to foster collaboration between young people in Ireland and the United States and in 2015, Kerry Group was the corporate sponsor of the Art Institute of Chicago's inspiring exhibition, 'Ireland: Crossroads of Art & Design 1690 – 1840', which celebrates Ireland's rich arts heritage. We are also the proud sponsors of numerous sporting activities including, Kerry GAA, the Kerry Group International 'Rás Mumhan' cycling event and the Children's Community Games.

**Kerry Group sponsors a range of activities across the areas of Education, Arts and Sport.**

### SUSTAINABLE AGRICULTURE

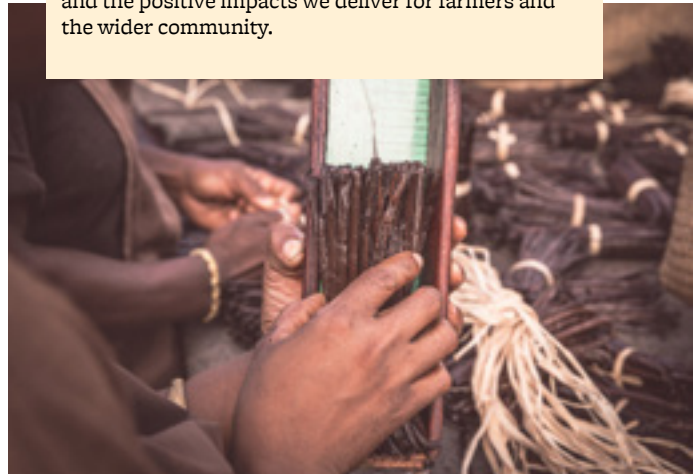
Sustainable agriculture is a vital component of both our sourcing and community programmes. Through our involvement with Concern's RAIN project in Zambia, and our own sustainable sourcing commitments, we look to support farmers and help preserve vibrant and economically viable rural communities.

[+ Read More](#)

Concern RAIN project **pg51**

### Sustainable vanilla – Madagascar

Kerry Group continues to work directly with farmers in Madagascar to ensure the sustainable sourcing of vanilla. In the municipality of Maroambihy, in the SAVA region, we have partnered with our supplier to ensure the development of a more sustainable supply chain. This project delivers benefits for Kerry Group in terms of product quality, while at the same time creating long-term value for the local communities that produce the vanilla beans. In 2015, we have continued to make progress on key elements of the programme particularly around increasing farm incomes and the empowerment of women. We are delighted to have expanded our reach in the last 12 months by doubling the number of villages involved. In the year ahead we aim to further expand the programme both in terms of the numbers involved and the positive impacts we deliver for farmers and the wider community.



## Risk Report

# Effective risk management

The Group has identified a number of risks which, if they arise, could potentially impact the achievement of its strategic objectives. The Board is responsible for determining the nature and extent of the risks it is willing to accept in achieving the strategic objectives. Whilst the Group's diversity in terms of geography, number of manufacturing locations and broad customer and product base reduces the impact that any one risk can have, all risks need to be monitored and managed to achieve a profitable return for shareholders.

[+ Read More](#)

Governance Structure [pg71](#)

### KERRY GROUP RISK MANAGEMENT FRAMEWORK

The Group's risk management framework, which is designed to identify, manage and mitigate potential risks that are potentially material to the achievement of the Group's objectives is outlined in the diagram below. Appropriate governance structures are in place to ensure there is clarity of ownership and responsibility for risk management throughout the Group.



### Board of Directors

The Group's risk management and internal control systems are owned by the Board who is responsible for ensuring that the risk appetite and risk tolerance are set to appropriate levels and also for ensuring that appropriate mitigating procedures exist for each of the principal risks identified.



The Board has defined the culture, values and expected behaviours of the organisation through the Group Code of Conduct, which supports the overall risk management framework. Within this framework, the Board delegates responsibility for day-to-day management of risk to Executive Management to ensure that appropriate risk management and internal control systems are in place to mitigate against these principal risks.

### Audit Committee

Under delegation from the Board, the Audit Committee assesses the overall risk profile and evaluates the design and effectiveness of the risk management and internal control systems throughout the Group. This includes reviewing reports received from Internal Audit, the Group External Auditor and management on the operation of material financial, operational and compliance controls during the period under review.

A detailed description of the activities carried out by the Committee for the year under review is outlined in the report of the Audit Committee on pages 74 to 77.

### Risk Oversight Committee

The Risk Oversight Committee (ROC) is chaired by the Chief Financial Officer and comprises of senior business management. The ROC supports the Audit Committee in the risk management process through on-going monitoring and evaluation of the risk environment and ensuring continuous improvement of the effectiveness of risk mitigation activities.

Responsibility for the Group risk assessment process is owned by the ROC who maintains the Group risk register and report on changes in the principal risks to the Audit Committee on an annual basis.

As a regular agenda item at Board and Audit Committee meetings, members of the ROC, or nominated functional leadership, present on the principal risks of the Group. These presentations assist the Directors in assessing the potential impact of the risk to the Group's operations and the appropriateness of the existing and proposed material internal controls.

### Executive Management

Executive Management are responsible for ensuring that risks are managed effectively on an operational basis. The "three lines of defence" model as set out below ensures that accountability for risk management is embedded into the Group's processes and procedures.

A number of management committees have also been established to support risk management initiatives across key functional areas including, the Group Finance Committee, the Sustainability Council and the Global Health Safety and Environmental (HSE) Leadership Team.

### Three Lines of Defence

#### 1st Line of Defence

The first line of defence are operational management who have responsibility for maintaining an effective risk management and internal control environment and for executing control procedures on a day-to-day basis within their sites or business units. They are also responsible for proactively ensuring compliance with Group policies and procedures. By embedding risk management into standard ways of working it is ensured that potential risks are identified at an early stage, escalated as appropriate and controls are put in place to manage these risks.

#### 2nd Line of Defence

The second line of defence are oversight functions, including Group compliance and functional leadership teams, who in conjunction with management are responsible for the ongoing monitoring of the operation of internal controls. They are also responsible for providing support and expertise to operational management in regard to the management of specific risks and the design of internal controls. Examples of tools employed for continuous monitoring include monthly performance reviews, functional audits, internal control self-assessment questionnaires, and ICT security monitoring.

#### 3rd Line of Defence

Internal Audit and external assurance providers are responsible for providing independent assurance to the Audit

Committee and the Board on the adequacy and effectiveness of the risk management and control frameworks operated by the 1st and 2nd lines of defence. As part of its annual programme of work, Internal Audit conducts regular reviews of risk management processes and gives advice and recommendations on how to improve the overall control environment.

### RISK ASSESSMENT PROCESS

The Group's risk assessment process is based on a co-ordinated, Group wide approach to the identification and evaluation of risks and the manner in which they are monitored and managed. This process, which is facilitated by Internal Audit and overseen by the ROC, begins with a bottom up approach involving managers from all business and functional areas who, through a programme of workshops, perform a detailed risk review exercise to update the Group Risk Register.

During these workshops all existing strategic, operational, financial and compliance risks are considered together with new and emerging risks in each business and function. In assessing the potential impact and likelihood of each risk identified, management consider the existing key controls and evaluate the risks in terms of potential residual impact. A standard risk scoring matrix is used to ensure consistency in reporting across all areas.

The divisional and functional risk registers are consolidated into the Group Risk Register of principal risks for the Group. Executive management provide input to ensure that there is also a top-down view of the key risks facing the Group. The ROC review the Group Risk Register and submit it to the Audit Committee and Board for approval.



The Audit Committee and Board formally approved the Group risk register and have confirmed in the Corporate Governance report that a robust assessment of these risks was completed including those risks which could threaten the business model, future performance, solvency or liquidity of the Group. Throughout the year, the Board considered the appropriateness of the strategies and actions to address these risks in pursuit of the Group's strategic objectives.


## PRINCIPAL RISKS AND UNCERTAINTIES

The following table describes the principal risks and uncertainties that have been identified by the Board, the mitigating actions for each and an update on any change in the profile of each risk during the year. The Board has determined that these are the principal risks that could impact the Group in the achievement of its objectives and each risk has also been linked to the Group's Strategies as outlined in the Business Model on page 12.

This table is not an exhaustive list of all the risks that may impact the Group, but the Board's view of the principal risks at this point in time. There are additional risks which are not yet considered material or which are not yet known to the Board but which will assume greater importance in the future.

### RISK TREND KEY

 Risk is unchanged     Risk has increased

 Link to Strategies as per Business Model Report **pg12**



Taste



Nutrition &  
General Wellness



Consumer  
Foods








Developing  
Markets














Sustainability








1 Kerry



Risk Trend	Risk Description and Potential Impact	Mitigation	Link to Strategy as per Business Model
<b>Strategic Risks</b>			
<b>Portfolio Management</b>			
	<p>As a global organisation operating across many jurisdictions, demand for our products is impacted by a range of factors including economic, demographic, technological, competitive and ongoing changes in consumer preferences.</p> <p>The growth and continued success of the Group is dependent on its management of its portfolio of geographies, technologies, channels and customers and its ability to respond to changes in the markets in which it operates. The ability to strategically evaluate and respond to this dynamic market place is a key priority for the Group and a failure to do so could have an adverse impact on the Group's business model and future performance.</p>	<p>The Group's strategy and operational activities are reviewed and approved by the Board on an ongoing basis throughout the year to ensure that it is responding effectively to market and consumer demand with a view to maintaining the Group's growth.</p> <p>Over the course of this year the Group has evolved the positioning of its Ingredients and Flavours business to a Taste and Nutrition positioning to align with the changing marketplace and rapidly evolving health, nutrition and wellness trends which provide the opportunity for the Group's technology platforms and systems in all regions. As described in Our Markets on page 13 the Group has invested in consumer and market insights capability as part of its ongoing programme to build a more tailored and commercially effective go-to-market structure.</p> <p>The Group continues to develop its global infrastructure to ensure that it is well placed to capitalise on opportunities both organically and acquisitively. This included the official opening of its new Global Technology &amp; Innovation Centre in Naas, Ireland this year, which also accommodates the Group's Centre of Excellence for Nutrition. The Group is also investing in its e-commerce platform to align with market developments in this area.</p>	   

Risk Trend	Risk Description and Potential Impact	Mitigation	Link to Strategy as per Business Model
<b>Strategic Risks</b>			
<b>Business Acquisition and Divestiture</b>			
	<p>Acquisitions and divestitures continue to be a core element of the Group's growth strategy and there is a risk that the anticipated benefits of such a transaction are not delivered resulting in a delay in the delivery of the expected return on investment and a subsequent impact on the strategic development of the group.</p> <p>This may be the result of an inaccurate evaluation of the target company, an over estimation or failure to achieve expected synergies, poor management of the transaction, poor planning and implementation of the integration or the transaction not adding shareholder value as expected.</p>	<p>Board approval is required for all transactions and regular updates are presented to Board Members on potential targets including strategic evaluations of any proposed significant investments. This includes an assessment of their ability to generate the required return on investment and a review of their strategic fit within the group.</p> <p>The Group has developed significant experience and capabilities in this area. A clearly defined process is employed to ensure that the evaluation of a target is comprehensive and that the execution and integration is effective. A similar process is implemented for the execution of divestitures.</p> <p>A strong governance system is in place to oversee the integration process including the appointment of a senior business owner, supported by a team of appropriately skilled personnel, to monitor the integration project, to review the performance of the acquired entity and to implement any corrective actions which may be required.</p> <p>The Group talent management programme ensures that the acquired entity management team is strengthened by the transfer of experienced Kerry management which helps increase the efficiency of the integration efforts. The retention of key acquired talent is also a focus of the integration process.</p>	   
<b>Developing Markets</b>			
	<p>The Group has a strategic objective of delivering growth in developing markets globally which involves increased inherent risks that could have an adverse impact on the future performance of the Group.</p> <p>These risks include political instability, economic slowdown, currency volatility, complex legal and regulatory environments and lower security, operational and quality standards.</p>	<p>The diversity of countries across which the Group operates ensures that it is not overly exposed to issues in any one particular geography.</p> <p>The Group has a legal, regulatory and compliance structure that ensures compliance with applicable laws and regulations. This structure is supported by the Group Code of Conduct which includes policies in relation to anti-bribery and corruption.</p> <p>The support of the Kerry divisional structure and experienced talent ensures that standardised ways of working and common processes are adopted across all sites ensuring consistency of operations throughout the Group.</p> <p>Regular visits by senior management, finance staff and internal audit support local teams to address issues.</p>	

Risk Trend	Risk Description and Potential Impact	Mitigation	Link to Strategy as per Business Model
<b>Operational Risks</b>			
<b>Quality and Food Safety</b>			
	<p>Failure to maintain the quality and safety of our products could expose the Group to product liability claims, product recalls, customer complaints, litigation or non-compliance with food safety legislation. This may have an impact on customer relationships and lead to reputational or financial damage to the Group.</p>	<p>A Global Quality and Food Safety structure has been established providing leadership in key areas such as HACCP, global supply quality and crisis management. A global steering committee ensures that a culture of quality exists and best practices are implemented across the organisation.</p> <p>A Global Quality Management System (GQMS) is in place to support the Group's manufacturing and supply chain functions through robust policies and procedures as well as training to the defined Kerry working standards. This ensures that quality assurance procedures are embedded into the operational processes. Both internal, supplier and customer KPIs are monitored and a continuous improvement culture is in place to address issues as they arise.</p> <p>Kerry manufacturing sites are subject to regular audits by internal teams, customers and independent bodies auditing against recognised global food safety standards. Stringent controls are also in place for suppliers including site audits and rigorous quality checking of all raw materials.</p> <p>Adequate product liability insurance is maintained across the Group.</p>	 
<b>Raw Material and Input Cost Fluctuations</b>			
	<p>The Group's cost base and margin can be impacted by fluctuations in the prices of commodities as well as direct inputs such as energy, freight or labour. An inability to pass on these increases to customers may negatively impact profit margins.</p>	<p>The Group maintains a strong commercial focus on procurement, pricing and cost improvement initiatives to manage and mitigate this risk and all global commercial teams have been trained in margin management principles.</p> <p>Major commodity exposures are monitored on an ongoing basis and an active risk management approach is in place which includes taking purchasing cover on a back to back basis depending on the category of sales contract. Contractual mechanisms are in place with many customers to "pass through" changes in commodity prices.</p> <p>The Group employs experienced purchasing and commercial managers to ensure that all input costs are clearly understood and reflected in the pricing of our products.</p> <p>Reporting is in place to identify any potential exposures by commodity type and business. Detailed margin reporting by customer, product and business ensures that commercial teams maintain an ongoing focus on performance in this area.</p>	

Risk Trend	Risk Description and Potential Impact	Mitigation	Link to Strategy as per Business Model
<b>Operational Risks</b>			
<b>Talent Management</b>			
	<p>The ongoing success of the Group is dependent on attracting, developing, engaging and retaining qualified, experienced and appropriately skilled employees. An inability to secure and build a resilient talent pipeline could impact the Group's ability to achieve its strategic objectives.</p>	<p>An integrated talent management framework is in place to assess and plan for people development through talent reviews and critical role succession planning. This includes a continued focus on talent sharing, recruitment, mobility, and retention of key acquired talent. There is also a strong graduate recruitment programme in operation which supports the Group's succession planning programme. There is a continued focus on the diversity of our talent pipeline and building local talent in developing markets.</p> <p>The Group operates a Global Learning Academy focused on leadership, commercial and functional capabilities to support the professional growth of employees at all levels both in current and future roles</p> <p>The establishment of a Global Mobility team supports the deployment of key talent as they move within the organisation.</p>	 
<b>ICT Systems, Information Security and Cybercrime</b>			
	<p>The Group's operations are increasingly dependent on IT systems and the management of information. Any failure to protect the Group's Intellectual Property or prevention of unauthorised access to sensitive data could have an adverse effect on the Group's business and cause significant reputational damage.</p> <p>Cybercrime including unauthorised access to confidential information and systems, inaccurate data being entered into our systems and/or interruption of our main operating activities could negatively impact our business.</p> <p>Failing to implement the Kerryconnect programme (the initiative to establish an integrated ICT approach) as planned and within budget could have a negative impact on business operations or financial performance</p>	<p>Senior ICT leadership provide strong governance in this area with additional resources added to the Group's ICT Security structure during 2015.</p> <p>The Group employs a broad range of measures, including policies and procedures, ICT access controls, security awareness training and infrastructure to ensure that sensitive data is protected from unauthorised access and use. A number of independent audits were conducted in this area during 2015 and action plans were developed to address issues raised.</p> <p>An ongoing security enhancement programme is in place which includes deployment of additional layers of protection on intrusion prevention, document control and identity management.</p> <p>During the year there has been an ongoing focus on raising the awareness of all employees in the area of ICT security.</p> <p>In the event of a system failure there is a robust disaster recovery plan in place.</p> <p>The Kerryconnect programme has a robust governance structure and is led by an experienced steering team and a phased, regional implementation schedule is being rolled out.</p>	



Risk Trend	Risk Description and Potential Impact	Mitigation	Link to Strategy as per Business Model
<b>Financial and Compliance Risks</b>			
<b>Taxation</b>			
↔	<p>In an increasingly complex international tax environment, such matters as changes in tax laws, changing legal interpretations, tax audits and transfer pricing judgements may impact the Group's tax liability or reporting requirements.</p> <p>Failure to accumulate and consider relevant tax information may result in non-compliance with tax regulations or adverse tax consequences that could have been avoided had transactions been structured differently.</p>	<p>The Group employs a team of dedicated internal tax experts who support the Group in ensuring compliance with all taxation matters globally. The Group also engages external taxation advisors for research, use of economic statistical studies and guidance on matters of compliance where appropriate.</p> <p>A strong emphasis is placed on proactively engaging with tax authorities in all material jurisdictions.</p>	
<b>Treasury Risk</b>			
↔	<p>The international nature of the Group's operations mean that it has transactions across many jurisdictions which expose it to inherent liquidity, foreign exchange and interest rate risks.</p>	<p>The Group's financial position remains strong with significant cash resources and relatively long debt maturities. The Group's treasury function actively manages all risks through cash-flow forecasts, foreign currency exposure netting and hedging and monitoring of funding requirements.</p> <p>A Group finance committee is in place which oversees the Group's treasury and funding policies and activities. The Board routinely reviews and approves Group financing options. In September, the Group issued a Eurobond of €750m 10 year notes at an annual coupon of 2.375%. These bonds which are listed on the Irish Stock Exchange provide an additional source of debt finance and significantly extend the maturity profile of Group debt and proceeds from the issue are being used to retire existing debt and to fund acquisitions.</p> <p>Group policies require businesses to hedge all transactional currency exposures, and long term supply or purchase contracts which give rise to currency exposures.</p>	

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# Governance Report

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# Board of Directors

## CHAIRMAN & EXECUTIVE DIRECTORS



**Mr. Michael Dowling (71)**

**Chairman of the Board**

Appointed: 3 March 1998 and as Chairman 1 January 2015

Michael is a former Secretary General of the Department of Agriculture, Food and Forestry in Ireland and a Board member of the Agricultural Trust. He is also Chairman of the Board of Management of the UCC/Teagasc Food Innovation Alliance. He was appointed Chairman of the Board in 2015 and has served as a Director for 18 years. He is also a member of the Nomination Committee since January 2001 and was appointed as Committee Chairman in 2014.



**Mr. Stan McCarthy (58)\***

**Chief Executive**

Appointed: 9 March 1999 and as CEO on 1 January 2008

Stan joined Kerry's graduate recruitment programme in Ireland in 1976. He has worked in a number of finance roles including Financial Controller in the USA on the establishment of Kerry's operations in Chicago in 1984. Following the Group's acquisition of Beatreme Foods Inc. in 1988 he was appointed Vice President of Materials Management and Purchasing. In 1991, he was appointed Vice President of Sales and Marketing and became President of Kerry North America in 1996. He has served as Director for 17 years.



**Mr. Brian Mehigan (54)\***

**Chief Financial Officer**

Appointed: 25 February 2002

Brian joined Kerry Group in 1989, having previously worked in practice for six years. He held a number of finance positions within Kerry between 1989 and 2002. He has served as CFO and as an Executive Director on Kerry Group plc's Board for 14 years. He is a Fellow of Chartered Accountants Ireland and a graduate of National University of Ireland, Cork.



**Mr. Gerry Behan (51)\***

**President and CEO, Kerry Taste and Nutrition**

Appointed: 13 May 2008

Gerry joined Kerry's graduate recruitment programme in 1986 and has held a number of senior financial and management roles primarily in the Americas region. He was appointed President and Chief Executive Officer of Kerry's Global Taste & Nutrition business on 19 December 2011 and has served as a Board member for eight years.



**Mr. Flor Healy (53)\***

**Chief Executive Officer, Kerry Foods**

Appointed: 23 February 2004

Flor joined Kerry's graduate recruitment programme in 1984 and has worked for the Group in a number of leading management and finance roles in Ireland and the UK. He was appointed Chief Executive Officer of the Group's Consumer Foods Division in 2004 and has served as a Board member for 12 years.

\* Executive Director

## NON-EXECUTIVE DIRECTORS



**A. Mr. Michael Ahern (58)**

**Independent Non-Executive Director**

Appointed: 1 January 2014

Michael operates his own business in the agribusiness sector and is a Director of Kerry Co-operative Creameries Limited. He has served as a member of the Board for two years.



**B. Dr. Hugh Brady (56)**

**Independent Non-Executive Director**

Appointed: 24 February 2014

Hugh is President and Vice Chancellor of the University of Bristol in the UK – a position he has held since 2015. He was previously President of University College Dublin (UCD) from 2004-2013. A medical graduate, Hugh has had a successful career as a physician and biomedical research scientist in the US where he served on the faculty of Harvard Medical School for almost a decade prior to returning to his alma mater as Professor of Medicine and Therapeutics. In addition, Hugh has held many national and international leadership roles which include Chairman of the Irish Health Research Board and Chairman of the Universitas 21 Network of global research universities.

He has served as a member of the Board for two years and was appointed a member of both the Audit and Nomination Committees in 2015.

**C. Mr. Patrick Casey (66)**

**Independent Non-Executive Director**

Appointed: 2 May 2014

Patrick operates his own business in the agribusiness sector and is a Director of Kerry Co-operative Creameries Limited. He has served as member of the Board for one year.

**D. Mr. James Devane (54)**

**Independent Non-Executive Director**

Appointed: 1 January 2014

James operates his own business in the agribusiness sector and is a Director of Kerry Co-operative Creameries Limited. He has served as a member of the Board for two years.



**E. Dr. Karin Dorrepaal (54)**

**Independent Non-Executive Director**

Appointed: 1 January 2015

Karin served as an executive Director on the Board of Schering AG in Berlin. Currently she holds non-executive Director roles on the Boards' of Gerresheimer AG, Paion AG (vice Chairman), Humedics GmbH (Chairman) and Triton Private Equity all of which are based in Germany. She also serves on the Supervisory Board of Almirall S.A. in Spain. Dr. Dorrepaal received her Ph.D. from the Free University of Amsterdam, The Netherlands and also holds an MBA from the Erasmus University Rotterdam School of Management.

Karin has served on the Board for one year and joined the Remuneration Committee in January 2015 and Nomination Committee in December 2015.

**F. Ms. Joan Garahy (53)**

**Independent Non-Executive Director**

Appointed: 11 January 2012

Joan is Managing Director of ClearView Investments & Pensions Limited, an independent financial advisory company as well as being a Director of a number of private companies. She has 27 years of experience of advising on and managing investment funds. She is a former Managing Director of HBCL Investments & Pensions and Director of investments at HC Financial Services. In the past she worked with the National Treasury Management Agency as head of research at the National Pension Reserve Fund and was also head of research with Hibernian Investment Managers. Prior to that, she spent ten years as a stockbroker with both Goodbody and NCB in Dublin.

Joan has served as a member of the Board for four years. On 20 February 2012, Joan was appointed to Chair the Remuneration Committee and became a member of the Audit Committee on the same date.

**G. Mr. James C. Kenny (62)**

**Independent Non-Executive Director**

Appointed: 1 June 2011

James was formerly Executive Vice President of US based Kenny Construction Inc. and also President of Kenny Management Services Inc. He previously served as US Ambassador to Ireland from July 2003 to June 2006.



James has served as a member of the Board for five years. He was appointed a member of both the Remuneration and Nomination Committees on 20 February 2012.

**H. Mr. Tom Moran (60)**

**Independent Non-Executive Director**

Appointed: 29 September 2015

Tom was Secretary General of the Department of Agriculture, Food and the Marine from 2005 to end of 2014. Throughout his public sector career he held a number of international policy and international trade negotiation leadership roles. Mr. Moran also formerly served as Ireland's Agriculture Attaché to France and to the OECD. He is currently a Board member of An Bord Bia, the Irish Food Board, and also a Non-Executive Director of Elivia (France). Tom was appointed to the Audit Committee in December 2015.

**I. Mr. John Joseph O'Connor (63)**

**Independent Non-Executive Director**

Appointed: 1 January 2014

John operates his own business in the agribusiness sector and is a Director of Kerry Co-operative Creameries Limited. He has served as a member of the Board for two years.

**J. Mr. Philip Toomey (62)**

**Independent Non-Executive Director**

Appointed: 20 February 2012

Philip was formerly Global Chief Operating Officer for the financial services industry practice at Accenture and has a wide range of international consulting experience. He was also a member of the Accenture Global Leadership Council. He is a Fellow of Chartered Accountants Ireland and a Board member of UDG Healthcare plc to which he was appointed in 2008.

Philip was appointed as Senior Independent Director to the Kerry Group plc Board on 20 February 2012 and as a member of the Audit Committee on the same date. He was appointed Chairman of the Audit Committee on 25 February 2013.

# Report of the Directors

## DIRECTORS AND OTHER INFORMATION

### Directors

Michael Dowling, Chairman  
Stan McCarthy, Chief Executive Officer\*  
Brian Mehigan, Chief Financial Officer\*  
Gerry Behan, President & CEO Taste & Nutrition\*  
Flor Healy, CEO Kerry Foods\*  
Michael Ahern  
Hugh Brady  
Patrick Casey  
James Devane  
Karin Dorrepaal  
Joan Garahy  
James C. Kenny  
Tom Moran  
John Joseph O'Connor  
Philip Toomey

\*Executive Director

### Secretary and Registered Office

Brian Durran  
Kerry Group plc  
Prince's Street  
Tralee  
Co. Kerry  
Ireland

### Registrar and Share Transfer Office

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

### Website

[www.kerrygroup.com](http://www.kerrygroup.com)



The Directors submit their Annual Report together with the audited financial statements for the year ended 31 December 2015.

## PRINCIPAL ACTIVITIES

Kerry Group is a world leader in the global food industry. Its industry-leading portfolio of Taste & Nutrition technologies and systems means that unique, innovative solutions for customers across all sectors of the food, beverage and pharmaceutical industries can be delivered. The Consumer Foods business is one of the leading suppliers of added-value branded and customer branded chilled food products.

Listed on the Irish and London Stock Exchanges, Kerry has 132 manufacturing facilities across five continents and provides over 15,000 food and ingredient products via its network of international sales and technical centres to a wide customer base in 140 countries.

## RESULTS AND DIVIDENDS

The Directors are pleased to report another strong performance for 2015 with an increase in adjusted earnings per share (EPS) before brand related intangible asset amortisation and non-trading items (net of related tax) of **8.2%** over 2014 to **301.9** cent (2014: 278.9 cent) and an increase in basic EPS to **298.7** cent (2014: 273.0 cent). Revenue for the year amounted to **€6.1 billion** (2014: €5.8 billion). Further details of the results for the year are set out in the Consolidated Income Statement, in the related notes forming part of the consolidated financial statements and in the financial and business reviews. The key performance indicators of the Group are discussed on pages 18 to 19.

On 22 February 2016, the Directors recommended a final dividend totalling **€61.6m** in respect of the year ended 31 December 2015 (see note 10 to the financial statements). This final dividend per share is an increase of **11.1%** over the final 2014 dividend paid on 15 May 2015. This dividend is in addition to the interim dividend paid to shareholders on 13 November 2015, which amounted to **€26.4m**.

The payment date for the final dividend is 13 May 2016 to shareholders registered on the record date 15 April 2016.

## SHARE CAPITAL

Details of the share capital are shown in note 27 of the financial statements. The authorised share capital of the Company is €35,000,000 divided into 280,000,000 A ordinary shares of 12.5 cent each, of which **175,884,469** shares were in issue at 31 December 2015.

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

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

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

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

The Directors have the authority to issue new shares in the Company up to a maximum of 20 million new A ordinary shares. This authority will expire on 30 July 2016 and it is intended to seek shareholder approval to renew the authority at the Annual General Meeting (AGM) to be held on 27 April 2016.

## The Directors are pleased to report another strong performance for 2015.

An increase in adjusted earnings per share (EPS) before brand related intangible asset amortisation and non-trading items (net of related tax) to

**301.9 cent**

An increase in basic EPS to

**298.7 cent**

Final Dividend in Respect of the Year ended 31 December 2015

**€61.6m**

**175.9m**

shares were in issue at 31 December 2015.

Expenditure on research and development in 2015

**€234.2m**

The Directors have the authority to allot shares for cash on a non pro-rata basis up to a maximum of 5% of the issued share capital which expires on 30 July 2016 and it is also intended to seek renewal of this authority at the AGM. In addition the Directors propose to extend this authority by a further 5% of the issued share capital, provided the additional authority will only be used for the purpose of an acquisition or one which has taken place in the preceding six month period and is disclosed with the announcement of the issue. It is also intended to seek shareholder approval for this new authority at the AGM.

During 2015, **52,148** vested into shares and **42,299** conditional awards vested into share options under the Company's Long Term Incentive Plan. In the same period, **25,719** share options were exercised under the Company's Long Term Incentive Plan. Further details are shown in note 28 to the financial statements.

The Company may purchase its own shares in accordance with the Companies Act 2014 and the Company's Articles of Association. At the 2015 AGM, shareholders passed a resolution authorising the Company to purchase up to 5% of its own issued share capital but the authority was not exercised. This authority is due to expire on 27 April 2016 and it is intended to seek shareholder approval for its renewal at the AGM.

## ARTICLES OF ASSOCIATION

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

The regulations contained in the Articles of Association of the Company may be amended by special resolution with the sanction of shareholders in a general meeting.

## SIGNIFICANT AGREEMENTS

The Company's financing arrangements include 'Change of Control' provisions which give its lending institutions the right to withdraw their facilities in the event of a change of control occurring unless they agree otherwise in writing. Other than change of control provisions in those arrangements, the Company is not a party to any other significant agreements which contain such a provision.

## ACQUISITIONS AND DISPOSALS

The Group completed a number of acquisitions and disposals during the year. The businesses acquired and divested are described in the Chief Executive's Review and in note 31 and note 5 to the financial statements.

## RESEARCH AND DEVELOPMENT

The Group is fully committed to ongoing technological innovation in all sectors of its business, providing integrated customer-focused product development by leveraging our global technology capabilities and expertise. To facilitate this,

the Group has invested in highly focused research, development and application centres of excellence with a strategically located Global Technology & Innovation Centre, based in Naas, Ireland which is supported by Regional Development & Application Centres. Expenditure on research and development amounted to **€234.2m** in 2015 (2014: €196.8m).

## SUSTAINABILITY

Kerry Group is committed to the highest standards of business and ethical behaviour, to fulfilling its responsibilities to the communities it serves and to the creation of long term value for all stakeholders on a socially and environmentally sustainable basis.

Details regarding the Group's sustainability performance, policies and programmes in respect of the marketplace, environment, workplace and the community are outlined in the Sustainability Review on pages 38 to 53.

## FUTURE DEVELOPMENTS

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

## BOARD CHANGES

Dr. Karin Dorrepaal was appointed to the Board on 01 January 2015 and Mr. Tom Moran was appointed to the Board on 29 September 2015.

## DIRECTORS

The Board consists of a Chairman, four Executive and ten independent Non-Executive Directors. The names and biographical details of the Directors are set out on pages 62 to 63.

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

All other Directors will retire by rotation at the AGM and they, being eligible, are seeking re-election at that meeting.

Following the individual performance evaluation of all Directors, as outlined in the Corporate Governance Report on pages 71 and 72, the Board recommends the re-election of all Directors seeking re-election.

## SUBSTANTIAL INTERESTS

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

Shareholder	Number Held	%
Kerry Co-operative Creameries Limited (KCC)	24,048,456	13.7%
The Capital Group Companies, Inc.	8,065,824	4.6%
Blackrock Investment Management	7,039,391	4.0%

Apart from the aforementioned, the Company has not been notified of any interest of 3% or more in the issued share capital of the Company.

## CORPORATE GOVERNANCE

The Corporate Governance Report on pages 69 to 73 sets out the Company's application of the principles, and compliance with, the provisions of the UK Corporate Governance Code and Irish Annex and the adoption of the going concern basis in preparing the consolidated financial statements.

## PRINCIPAL RISKS AND UNCERTAINTIES

In accordance with the Transparency (Directive 2004/109/EC) Regulations 2007 and the Transparency Rules of the Central Bank of Ireland, a description of the principal risks and uncertainties facing the Group is outlined on pages 56 to 60.

## DIRECTORS' RESPONSIBILITY STATEMENT

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Irish company law requires the Directors to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period. Under that law the Directors have elected to prepare group financial statements in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union and Article 4 of the IAS Regulation and have also chosen to prepare the parent company financial statements under IFRSs as adopted by the European Union. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state that the financial statements comply with IFRS as adopted by the European Union; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for ensuring that the company keeps adequate accounting records which correctly explain and record the transactions of the company, enable at any time the assets, liabilities, financial position and profit or loss of the company to be determined with reasonable accuracy and to enable them to ensure that the financial statements are prepared in accordance with IFRSs as adopted by the European Union and comply with the Companies Act 2014 and as regards to the Group financial statements, Article 4 of the IAS Regulation and enable the financial statements to be audited.

The Directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website ([www.kerrygroup.com](http://www.kerrygroup.com)). Irish legislation governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

In accordance with the Transparency (Directive 2004/109/EC) Regulations 2007 and the Transparency Rules of the Central Bank of Ireland, the Directors are required to include a management report containing a fair review of the business and a description of the principal risks and uncertainties facing the Group. The Directors are also required by applicable law and the Listing Rules issued by the Irish Stock Exchange and the UK Listing Authority to prepare a Directors' Report and reports relating to Directors' remuneration and corporate governance.

Each of the Directors, whose names and functions are listed on page 64, confirms that, to the best of their knowledge and belief:

- the consolidated financial statements for the year ended 31 December 2015 have been prepared in accordance with the applicable IFRSs as adopted by the European Union and give a true and fair view of the assets, liabilities, and financial position of the Group and the undertakings included in the consolidation, taken as a whole, as at that date and its profit for the year then ended;
- the Company financial statements, prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the Companies Act 2014, give a true and fair view of the assets, liabilities and financial position of the Company as at 31 December 2015;
- the Business Review includes a fair review of the development and performance of the business for the year ended 31 December 2015 and the position of the Company and the Group at the year-end;
- the Report of the Directors provides a description of the principal risks and uncertainties which may impact the future performance of the Company and the Group at the year-end; and
- the Annual Report and financial statements, taken as a whole, provides the information necessary for shareholders to assess the Company's and Group's performance, business model and strategy and is fair, balanced and understandable.

## ACCOUNTING RECORDS

To ensure that proper accounting records are kept for the Company in accordance with section 281 to 289 of the Companies Act 2014, the Directors employ appropriately qualified accounting personnel and maintain appropriate accounting systems. The accounting records of the Company are maintained at the Company's registered office.

## ACCOUNTABILITY AND AUDIT

A statement relating to the Directors' responsibilities in respect of the preparation of the financial statements is set out on page 67 with the responsibilities of the Company's Independent Auditor outlined on page 103.

During the year, a formal external audit tender process was undertaken by the Audit Committee on the Boards behalf, following which the Board selected PricewaterhouseCoopers as the external auditor for the Group. On 22 February 2016, the Board appointed PricewaterhouseCoopers with effect from 29 March 2016. A resolution to formally approve the appointment of PricewaterhouseCoopers as external auditors will be put to Shareholders at the AGM on 27 April 2016.

Deloitte, Chartered Accountants intend to resign as external auditors to the Group with effect from 29 March 2016 and have confirmed, in accordance with Section 400 of the Companies Act 2014, that there are no circumstances in connection with their resignation which should be brought to the attention of the members or the creditors of the Company.

The financial statements on pages 104 to 175 have been audited by Deloitte, Chartered Accountants.

## POLITICAL DONATIONS

During the year the Company made no political contributions which require disclosure under the Electoral Act, 1997.

## SUBSIDIARIES

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

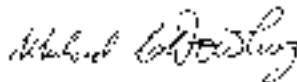
## RETIREMENT BENEFITS

Information in relation to the Group's retirement benefit schemes is given in note 26 to the financial statements.

## TAXATION

So far as the Directors are aware, the Company is not a close company within the definition of the Taxes Consolidation Act, 1997. There has been no change in this respect since 31 December 2015.

### Signed on behalf of the Board:



**Michael Dowling**

Chairman

22 February 2016



**Stan McCarthy**

Chief Executive Officer

# Corporate Governance Report



Michael Dowling  
Chairman of the Board

Dear Shareholder,

I am pleased to present the Kerry Group Corporate Governance Report for the year ended 31 December 2015.

As Chairman my main responsibility is to lead the Board through facilitating discussion on strategic issues and promoting a culture that is conducive to the operation of the Board and its committees. I am pleased to confirm on behalf of the Board that, for the year under review, the Group has fully complied with the 2014 UK Corporate Governance Code and the Irish Annex (the Code). The Group remains committed to achieving high standards of governance through operating ethically and with integrity in all matters and as Chairman I will continue, with Board support, to promote the culture of good governance.

The Board sets the tone and culture for the way in which the Group operates. This culture is underpinned by a robust risk management framework consisting of policies, procedures, behaviours and tasks, including a Code of Conduct which defines business conduct standards for anyone working for or on behalf of the company.

In 2015 we reviewed the longer term viability of the Group in line with the new requirements of the Code. The Directors are of the opinion that there is a reasonable expectation that the Group will continue in operation and meet its liabilities over the next five years.

An internal evaluation of the effectiveness of the Board and its committees was conducted in 2015 in line with the requirements of the Code and Kerry's Corporate Governance policy. A full external Board performance evaluation will be conducted later this year.

The Board in conjunction with the Nomination Committee ensures that there are robust plans in place to facilitate Board and senior management succession.

The following reports describe how the Group has achieved compliance with the Code through the activities and operations of the Board and its committees during the year.

**Michael Dowling**  
Chairman of the Board

## LEADERSHIP

### BOARD COMPOSITION AND MEMBERSHIP

The Board is responsible for ensuring the long term success of the company through experienced leadership and establishing effective control and oversight of the Group's activities.

The Board comprises of 15 Directors each of whom bring a range of skills, experience and backgrounds to the organisation. The membership of the Board consists of a Non-Executive Chairman, Chief Executive, Chief Financial Officer, two other Executive Directors, and ten Non-Executive Directors. The Directors are of the opinion that the current composition of the Board provides the extensive relevant business experience needed to oversee the effective operation of the Group's activities and that the individual Directors bring a diverse

range of skills, knowledge and experience, including the industry and international experience, necessary to provide effective governance and oversight of the Group. These skills are considered appropriate to address and mitigate the principal risks and uncertainties of the Group as outlined on pages 56 to 60.

### BOARD ROLE AND OPERATIONS

The Board is responsible for delivering long-term value to the Group's shareholders while exercising business judgement on developing strategy, delivering objectives and managing the risks that face the organisation. The Board has a formal schedule of matters specifically reserved to it for decision as noted below and has delegated other responsibilities to management for day to day operations within the context of the Kerry Group Governance Framework as outlined on page 71.



### Schedule of Matters Reserved for the Board

- Approval of the overall Group strategic and operating plans
- Approval of acquisitions and divestitures
- Approval of annual budgets (revenue and capital)
- Approval of interim management statements and interim financial statements
- Monitoring and reviewing risk management and internal control systems
- Ensuring compliance with corporate governance standards
- Assessment of the longer term viability of the Group and the going-concern assumption
- The preparation of and confirmation that the annual report and financial statements, present a fair, balanced and understandable assessment of the Company's position and prospects.

The Directors are responsible for managing the business of the Company and may exercise all the powers of the Company subject to the provisions of relevant statutes, to any directions given by shareholders in General Meeting and to the Company's Memorandum and Articles of Association. The fundamental responsibility of the Directors is to exercise their business judgement on matters of critical and long-term significance to the Group.

The Chairman ensures that all Directors have full and timely access to such information as they require to discharge their responsibilities fully and effectively. Board papers are issued to each Director at least one week in advance of Board meetings and include the meeting agenda, minutes of the previous Board meeting and all papers relevant to the agenda. The Chairman, in conjunction with the Company Secretary, has primary responsibility for setting the agenda for each meeting. All Directors continually receive comprehensive reports and documentation on all matters for which they have responsibility to allow them to fully complete their duties as a Director. All Directors participate in discussing strategy, trading updates, financial performance, significant risks and operational activities. Board meetings are of sufficient duration to ensure that all agenda items and any other material non-agenda items that may arise are adequately addressed.

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

### MEETINGS AND ATTENDANCE

The Board meets sufficiently regularly to ensure that all its duties are discharged effectively. All Directors are expected to prepare for and attend meetings of the Board and the AGM. The Committee Chairmen are available to answer questions at the AGM. Should any Director be unable to attend a Board meeting in person, conferencing arrangements are available to facilitate participation. In the event that a Director cannot attend or participate in the meeting, the Director may discuss and share opinions on agenda items with the Chairman, Chief Executive or Company Secretary in advance of the meeting.

During 2015 the Board met seven times and the table below outlines the attendance record of individual Directors.

<b>Directors Attendance at 2015 Board Meetings</b>	<b>Attended</b>	<b>Eligible</b>
Michael Ahern	7	7
Gerry Behan	7	7
Dr. Hugh Brady	7	7
Patrick Casey	7	7
James Devane	7	7
Michael Dowling	7	7
Dr. Karin Dorrepaal	7	7
Joan Garahy	7	7
Flor Healy	7	7
James C. Kenny	7	7
John Joseph O'Connor	7	7
Stan McCarthy	7	7
Brian Mehigan	7	7
Tom Moran (appointed 29 September 2015)	3	3
Philip Toomey	7	7

### CHAIRMAN AND CHIEF EXECUTIVE

Michael Dowling was appointed Chairman of the Board on 1 January 2015. The roles of the Chairman and Chief Executive are separate and the division of duties between them is formally established, set out in writing and agreed by the Board. The Chairman is responsible for leadership of the Board and ensuring its effectiveness in all respects. The Executive Directors of the Company, led by the Chief Executive, are responsible for the management of the Group's business and the implementation of Group strategy and policy.

### SENIOR INDEPENDENT DIRECTOR

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

## INDEPENDENCE

The Group currently has four independent Non-Executive Directors on the Board who are also Directors of Kerry Co-operative Creameries (KCC), the Group's largest shareholder. Over the past 30 years KCC's shareholding has reduced from 100% to its current level of 13.7%. The Board is of the opinion that through their knowledge of the industry, these Directors contribute to the achievement of the Group's objectives. Although connected to a significant shareholder no trading relationship exists between KCC and the Company. Notwithstanding their connection to KCC, the Board as a whole is of the opinion that these Directors are independent in both character and judgement. All other Non-Executive Directors are considered independent in both character and judgement.

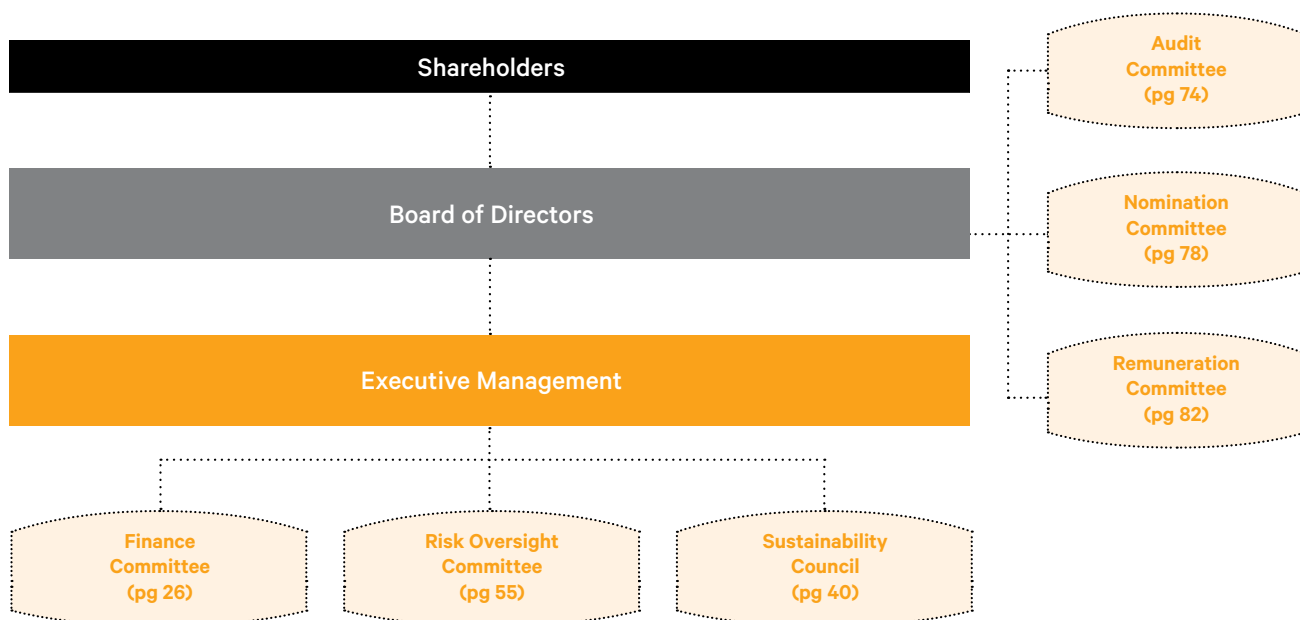
## BOARD COMMITTEES

The Board has three committees, the Audit Committee, the Nomination Committee and the Remuneration Committee, which support the operation of the Board through their focus on specific areas of governance. Each committee is governed by its Terms of Reference which sets out how it should operate including its role, membership, authority and duties. Reports on the activities of the individual committees are presented to the Board by the respective committee Chairmen.

Further details on the duties, operation and activities of all Board Committees can be found in their respective reports on pages 74 to 99.

## KERRY GROUP GOVERNANCE FRAMEWORK

The Kerry Group Governance Framework, as outlined in the diagram below, is the structure which supports the Board in its duties and overseeing the Group's operations.



## BOARD EFFECTIVENESS

### BOARD INDUCTION AND DEVELOPMENT

On appointment to the Board, each new non-executive Director undergoes a full formal induction programme. This induction includes an overview of their duties and responsibilities as a Director, presentations on the Group's operations and results, meetings with key executive management and an outline of the principal risks of the Group.

Throughout the year the Board as a whole engages in development through a series of consultations with subject matter experts on a range of topics including risk management, corporate governance, anti-fraud and information security. Presentations are also made by Executive Directors and senior management on various topics throughout the year in their areas of responsibility. The June 2015 Board meeting was held in Singapore following which Board members visited several of the Group's operating facilities in the Asia-Pacific region to better understand the business and meet with local senior management.

Individual board members training requirements are reviewed with the Chairman and Company Secretary and training is provided to address these needs.

### BOARD PERFORMANCE EVALUATION

During the year, a review of the performance of the Board, Board Committees, individual Directors and the Chairman was undertaken internally against a set of key criteria. The review was facilitated by the Company Secretary and was undertaken using Thinking Board, Independent Audit Limited's governance self-assessment process. Independent Audit Limited is recognised as a leading firm of board reviewers, based in London, which is fully independent of Kerry Group.

At a meeting in December 2015 the Non-Executive Board members, led by the Chairman, considered the Board evaluation report which included a formal review of its own performance and the Board committees. Progress against recommendations from the previous evaluation was considered and the Board is satisfied that improvements have been made that have enhanced the operations and effectiveness of both the Board and its committees.

#### Topics covered during Board Performance Evaluation

- Board composition and culture
- Ability and effectiveness
- Role and responsibilities
- Strategic development
- Time and commitment
- Knowledge and communication

The Chairman appraised each of the Non-Executive Directors individually utilising the same process. The key areas reviewed were independence, contribution and attendance at Board meetings, interaction with Executive Directors, the Company Secretary and senior management, ability to communicate issues of importance and concern, their knowledge and effectiveness at meetings and the overall time and commitment to their role on the Board.

In addition, the Senior Independent Director formally appraised the performance of the Chairman. This appraisal was similar to the Board evaluation process which included feedback from all Directors on the Chairman's performance during the year.

The Board concluded that no area of significant weakness had been identified and that it operated effectively throughout the period under review. A number of points for improvement were identified and action plans established to address them.

## ACCOUNTABILITY

### RISK MANAGEMENT AND INTERNAL CONTROLS

The internal control framework in Kerry Group is defined as a system encompassing the policies, processes, tasks and behaviours, which together facilitate the Group's effective and efficient operation by enabling it to respond appropriately to significant business, operational, financial, compliance and other risks to achieve its business objectives.

The systems which operate in Kerry Group provide reasonable, but not absolute, assurance of:

- the safeguarding of assets against unauthorised use or disposition; and
- the maintenance of proper accounting records and the reliability of the financial information produced.

The Board has delegated certain duties to the Audit Committee in relation to the on-going monitoring and review of risk management and internal control systems. The work performed by the Audit Committee is described in their report on pages 74 to 77.

Full details of the risk management systems are described in the Risk Report on pages 54 to 55.

The principal risks facing the company, including those that would threaten the business model, future performance, solvency or liquidity are described on pages 56 to 60. The Directors confirm that they have carried out a robust assessment of these risks and the actions that are in place to mitigate them.

The Directors confirm that they have also reviewed the effectiveness of the systems of risk management and internal control which operated during the period covered by these financial statements and up to the date of this report and that no significant failings or weaknesses were identified. The procedures adopted comply with the guidance contained in *Guidance on Risk Management, Internal Control and Related Financial and Business Reporting* as published by the Financial Reporting Council in the UK.

### GOING CONCERN

The consolidated financial statements have been prepared on the going concern basis.

The Directors have considered the Group's business activities and how it generates value, together with the main trends and factors likely to affect future development, business performance and position of the Group as described in the Business Reviews on pages 29 to 37. The Group's 2016 budget was reviewed and approved at the December Board meeting. They have also examined the financial position of the Group, including cash flows, liquidity position, borrowing facilities, financial instruments and financial risk management, as described on pages 20 to 26 and additionally as described in Note 24.

As a result of this review, the Directors report that they have satisfied themselves and consider it appropriate that the Group is a going concern, having adequate resources to continue in operational existence for the foreseeable future and have not identified any material uncertainties in the Group's ability to continue over a period of at least 12 months.

#### Read More

The strategic report provides a detailed description of how the Group generates and preserves value **pg. 2 to 60.**

## LONGER TERM VIABILITY STATEMENT

The Directors have assessed prospects of the Group over a period of 5 years to 31 December 2020. This period is considered appropriate as it aligns with the Group five year rolling strategic planning process.

This assessment considered the potential impact of the Group's principal risks and uncertainties as described on pages 56 to 60 should one or more of these risks materialise. The Group's strategic plan was stress tested for a number of severe but plausible scenarios that could materially impact the Group's business model, future performance, solvency or liquidity.

The potential impact of scenarios that could arise out of one, or a combination, of the Group's principal risks being realised and which may negatively impact on profitability, growth forecasts or cashflows were considered. Each principal risk identified on pages 56 to 60 was taken into account, including the specific risks below which were believed to be the most critical for this assessment:

- failure to achieve targeted revenue and margins;
- an acquisition not delivering the expected returns;
- the impact of a significant food quality failure; and
- a significant cashflow impact as a result of adverse exchange movements.

The potential impact of the crystallisation of the risks were considered in relation to the Group's profitability, cashflow, debt profile and the credit facilities in place.

The Board considers that the diverse nature of the Group's geographies, markets, customer base, and product portfolio provide significant mitigation against the impact of a serious business interruption.

Based on the results of this analysis the Directors have concluded that they have a reasonable expectation the Group will be able to continue in operation and meet its liabilities as they fall due over the five year period of their assessment.

## FAIR BALANCED AND UNDERSTANDABLE

The Directors have concluded that the Annual Report presents a fair, balanced and understandable assessment of the company's position and prospects. This assessment was completed by the Audit Committee and the activities undertaken in reaching this conclusion are discussed on page 76.

## RELATIONS WITH SHAREHOLDERS

### SHAREHOLDER COMMUNICATIONS

The Company actively engages with Shareholders throughout the year through a variety of channels. Although most shareholder contact is with the Chief Executive and the Chief Financial Officer, supported by management specialising in investor relations, it is the responsibility of the Board as a whole to ensure that a satisfactory channel of communication with shareholders exists.

The Group Annual and Interim Reports, and Interim Management Statements form the principal communications with the Company's Shareholders, along with a programme of regular ongoing interactions. This programme is formalised within an investor relations framework.

### Annual Investor Relations Programme

- Presentations of interim and full year results and regular meetings by senior management with the Company's institutional investors
- A significant amount of published material, including results, presentations, and news releases are accessible to all shareholders on the Group's website ([www.kerrygroup.com](http://www.kerrygroup.com)) and through the Kerry Group Investor Relations app
- Regular communication is also entered into with individual shareholders on a wide range of issues through the website
- The Chairman periodically attends investor meetings in order to obtain the views of shareholders and shares these views with all Directors in a timely manner
- The Senior Independent Director is available to meet shareholders on request

In addition to the above an Investor day was held in October 2015 at the Kerry Global Technology and Innovation Centre, in Naas, Ireland, which was attended by the Chairman, Chief Executive and Chief Financial Officer together with members of the executive management team. This provided shareholders, fund managers and analysts an opportunity to visit the newly opened €100m centre and to observe the Group's breadth and depth of technologies, scientific research, innovation and applications expertise, across food, beverage and pharmaceutical markets.

## ANNUAL GENERAL MEETING

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

### Download

Download our Investor App  
at [kerrygroup.com](http://kerrygroup.com)



# Audit Committee Report



Philip Toomey  
Chairman of the Audit Committee

Dear Shareholder,

On behalf of the Audit Committee I am pleased to present this report which describes the work performed by the Committee during the year. I can confirm that during 2015 the Committee successfully satisfied its responsibilities as set out in the Audit Committee Terms of Reference and under the 2014 UK Corporate Governance Code (the Code) and the FRC Guidance on Audit Committees

In the year under review the Committee supported the Board in its responsibilities relating to the monitoring of the Group's financial reporting process, reviewing and monitoring the risk management and internal control systems, overseeing of the Group's Internal Audit function and advising the Board on the appointment and independence of the Group's external auditor. The Committee have reviewed in detail both the financial and non-financial sections of the Group's Annual Report and have confirmed to the Board that the report when taken as a whole is fair, balanced and understandable and provides the information necessary to assess the business model, strategy and performance of the Group. Advice was also

provided to the Board on the new Corporate Governance reporting requirements relating to the longer term viability of the Group.

During the year the Committee, on behalf of the Board, facilitated a process to oversee the selection of a new Group external auditor resulting in the recommendation of PricewaterhouseCoopers as auditors to the Group's Financial Statements in respect of the year ending 31 December 2016. The audit of the 2015 Annual Report and Financial Statements will be the last conducted by Deloitte, Chartered Accountants and I would like to express my thanks to the partners and staff who have worked on the Kerry Group audit over the years.

In December 2015, Mr. Tom Moran joined the Audit Committee, I would like to take this opportunity to welcome Tom and I look forward to working with him over the coming year.

**Philip Toomey**  
Chairman of the Audit Committee

## COMMITTEE MEMBERSHIP

During 2015, the Audit Committee comprised of three independent Non-Executive Directors; Dr. Hugh Brady, Ms. Joan Garahy and was chaired by Mr. Philip Toomey. Mr. Tom Moran joined the Committee on 11 December 2015.

The Board considers that both Philip Toomey and Joan Garahy have relevant and recent financial experience, as set out in their biographical details on page 63.

Depending on the scheduled agenda, key executives and senior management, including the Chief Executive, the Chief Financial Officer, the Head of Internal Audit as well as representatives of the external auditor, are regularly invited to attend Audit Committee meetings. When required members of the ROC are invited to attend meetings to present on agenda items related to risk. The Company Secretary is the Secretary of the Committee.

## ROLE, RESPONSIBILITIES AND TERMS OF REFERENCE

The main responsibilities and role of the Committee, which were reviewed and updated during 2015 to reflect the changes in the UK Corporate Governance Code, are set out in written terms of reference which are available from the Group's website ([www.kerrygroup.com](http://www.kerrygroup.com)) or upon request.

The key duties outlined in the terms of reference include ensuring the interests of the shareholders are properly protected in relation to financial reporting and internal control, assisting the Board in executing its duties in relation to risk management and oversight of internal controls, overseeing the Company's relations with the external auditor and monitoring the work of the internal audit function. The Committee advises the Board prior to its approval of the Interim and Annual Consolidated Financial Statements, whether



it believes there are any material uncertainties that may impact the Group's ability to continue as a going concern and if the annual report and financial statements, taken as a whole are fair, balanced and understandable. During the year, the Committee agreed the process to address the updated requirements of the UK Corporate Governance Code in relation to the longer term viability statement, and supported the Board in its conclusion that there is a reasonable expectation that the Company will continue in operation over the period of the assessment.

During the year the Audit Committee Chairman provided a letter to the Board outlining how the Committee discharged its duties during 2015.

### COMMITTEE EVALUATION

The internal review of Board effectiveness described on pages 71 to 72 included a review by the Committee of its own effectiveness. A number of recommendations that are relevant to the operation of the Audit Committee were made and action plans were agreed to address the issues raised.

The Committee is satisfied that formal and transparent arrangements for considering corporate reporting, risk management, internal control principles and for maintaining an appropriate relationship with the Company's auditor exist.

### COMMITTEE MEETINGS AND ACTIVITIES 2015

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

Committee Member	Attended	Eligible
Hugh Brady	6	6
Joan Garahy	6	6
Tom Moran	1	1
Philip Toomey	6	6

The key activities undertaken by the Committee are set out below:

Subject	Committee Activity
<b>Financial Reporting and Significant Financial Judgements</b>	<p>The Audit Committee reviewed the Interim Management Statements, the Interim and Annual Consolidated Financial Statements and all formal announcements relating to these statements before submitting them to the Board of Directors with a recommendation to approve. These reviews focused on, but were not limited to:</p> <ul style="list-style-type: none"> <li>– the appropriateness and consistency of accounting policies and practices;</li> <li>– the going concern assumption; and</li> <li>– compliance with applicable financial reporting standards, corporate governance requirements and the sufficiency of disclosures.</li> </ul>

The areas of significant judgement in the preparation of the financial statements are outlined below.

#### Carrying value of intangible assets

Intangible assets, as disclosed in note 12, represents the largest number on the Group balance sheet at €3.4bn. The Committee considered the process used to identify and value intangible assets arising on acquisitions as well as the process to complete the impairment review of the Group's intangible assets and specifically the assumptions used for the future cash flows, discount rates, perpetuity rates and growth rates. The Committee found that the assumptions used for the review are appropriate following discussions with senior management and the external auditor.

#### Taxation

An element of judgement is required when arriving at the level of provisioning for uncertain current and deferred tax liabilities. The Committee reviewed the Group's senior management tax provisioning methodology and considered the outcome of the auditors' review of these provisions. As a result, the Committee believes the level of provisioning is appropriate.

#### Retirement benefit obligations

The Group has a number of defined benefit schemes that are in a deficit position as outlined in note 26. These schemes have been closed to new members; however changes in actuarial assumptions can impact the valuation of these obligations. During their review of the financial statements, the Committee considered the assumptions used including discount rates, inflation rates and mortality rates and were satisfied that the methodology employed by the Group and its external advisors was appropriate. The Committee having consulted with senior management and discussed with the external auditor, concluded that these assumptions are appropriate.

Subject	Committee Activity
<b>Fair, Balanced and Understandable</b>	<p data-bbox="343 237 1364 319">As requested by the Board, the Audit Committee reviewed the Annual Report, taken as a whole, to ensure that it is fair, balanced and understandable, and provides the information necessary for shareholders to assess the company's position and performance, business model and strategy.</p> <p data-bbox="343 354 1005 380">In satisfying this responsibility, the Committee considered the following:</p> <ul data-bbox="343 413 1369 642" style="list-style-type: none"> <li>– the timetable for the co-ordination and preparation of the Annual Report and Consolidated Financial Statements, including key milestones as presented at the December Audit Committee meeting;</li> <li>– the systematic approach to review and sign-off carried out by senior management and the Group external auditor, with a focus on consistency and balance;</li> <li>– a detailed report from senior finance management verifying their assessment of the consistency between the narrative and financial sections of the Annual Report which were presented to the Audit Committee; and</li> <li>– the draft Annual Report and Financial Statements were available to the Audit Committee in sufficient time for review in advance of the Committee meeting to facilitate adequate discussion at the meeting.</li> </ul> <p data-bbox="343 678 1313 731">Based on the work performed, the Committee confirmed to the Board that it was satisfied that the above requirement had been met.</p>
<b>Internal Control and Risk Management</b>	<p data-bbox="343 752 1298 834">The Audit Committee, as set out in its terms of reference, supports the Board in its duties to review and monitor on an ongoing basis the effectiveness of the Company's risk management and internal control systems. Throughout the year, the Committee:</p> <ul data-bbox="343 870 1376 1393" style="list-style-type: none"> <li>– reviewed and approved the assessment of the principal risks and uncertainties that could impact the achievement of the Group's strategic objectives as described on pages 54 to 60;</li> <li>– received presentations on a selection of principal risks and discussed with senior management the material internal controls that exist to mitigate these to levels within the Group's risk appetite;</li> <li>– reviewed quarterly reports from the Head of Internal Audit based on internal audits completed outlining non-compliances with Group controls and management's action plans to address them;</li> <li>– considered reports from the Head of Internal Audit on investigations of fraud or other significant control failures which occurred during the year and approved plans to address and remediate the control weaknesses;</li> <li>– received regular updates from the Group Financial Controller on control weaknesses identified through monthly financial review meetings;</li> <li>– considered the results of the Kerry Control Reporting System, the internal control self-assessment review of material finance, operational and compliance controls, and concluded that the controls are operating effectively;</li> <li>– assessed the Group's risk management and internal control framework in line with the FRC Guidance on Risk Management, Internal Control and Related Financial and Business Reporting; and</li> <li>– reviewed the report from the external auditor in respect of significant financial accounting and reporting issues, together with internal control weakness observations.</li> </ul> <p data-bbox="343 1428 1329 1481">The Audit Committee, having assessed the above information, is satisfied that the internal control and risk management framework is operating effectively and has reported this opinion to the Board.</p>

Subject	Committee Activity
<b>Internal Audit</b>	<p data-bbox="351 231 1418 315">The Committee reviewed and approved the Group internal audit strategy and annual plan to ensure alignment with the Group's principal risks. The Committee considered and were satisfied that the competencies, experience and level of resources within the internal audit team were adequate to achieve the proposed plan.</p> <p data-bbox="351 343 1379 397">The Committee considered the role and effectiveness of Internal Audit in the overall context of the Group's risk management framework and were satisfied that the function has appropriate standing within the Group.</p> <p data-bbox="351 425 1376 480">The Head of Internal Audit (HIA) provided quarterly updates of progress against the agreed plan including the results of internal audit reports and managements actions to remediate issues identified.</p> <p data-bbox="351 507 1406 562">The HIA had regular meetings with the Chairman of the Audit Committee and the Committee held a meeting with the HIA without the presence of management.</p> <p data-bbox="351 589 1418 674">Following an external review of the function in 2012 it was noted that the Internal Audit function conforms to the Institute of Internal Auditors (IIA) International Professional Practice Framework (IPPF). The Internal Audit function intends to complete its next external assessment in 2017.</p>
<b>Appointment of External Auditor</b>	<p data-bbox="351 686 1356 770">In 2014 the Audit Committee committed to appointing a new firm for the Group's external audit commencing financial year ended 31 December 2016, in keeping with best practice and to comply with the UK Corporate Governance Code and EU legislation.</p> <p data-bbox="351 797 1372 852">As Deloitte has been the Group external auditor since 1986 it was mutually agreed that they would cease to be the company's auditor effective from 29 March 2016 and therefore would not participate in the audit tender process.</p> <p data-bbox="351 880 1426 964">In early 2015, following an evaluation by the Audit Committee, a number of external audit firms who were considered to have the appropriate resources and competencies were invited to participate in the process to select a new external auditor for the audit of Kerry Group and its subsidiary entities.</p> <p data-bbox="351 991 1410 1076">Written submissions and presentations from invited firms were evaluated by key senior financial management and a shortlist of three firms, who demonstrated the calibre, resources and experience needed to undertake the Kerry Group external audit were selected to make presentations to the Audit Committee, Chairman and Chief Executive.</p> <p data-bbox="351 1103 1372 1187">Following these presentations the Audit Committee evaluated the capabilities, competencies and resources of the shortlisted firms and recommended to the Board that PricewaterhouseCoopers be selected as external auditors for the Group.</p>
<b>External Audit and Non Audit Services</b>	<p data-bbox="351 1199 1410 1283">The Audit Committee reviewed and approved the external audit plan for the Group's audit. The External Auditors' report on quality control procedures and on the safeguards which they have put in place to ensure their objectivity and independence in accordance with regulatory and professional requirements was also reviewed.</p> <p data-bbox="351 1311 1398 1366">During the year, the Committee met with the external auditor without management present to discuss any issues that may have arisen during the audit of the Group's Consolidated Financial Statements.</p> <p data-bbox="351 1393 1321 1448">Having considered all of the above, the Committee concluded that the Group's external auditor remained independent and that the audit process was effective.</p> <p data-bbox="351 1475 1410 1617">The Group's policy is that the external auditor and its affiliates may be used for non-audit services that are not in conflict with the auditors' independence and where sound commercial reasons exist. This policy was reviewed and approved by the Audit Committee and all non-audit services and fees were approved in accordance with Group policy. The Audit Committee approved the remuneration for the external auditor. Details of fees paid for audit and non-audit services are outlined in Note 3.</p>
<b>Whistleblowing and Fraud Arrangements</b>	<p data-bbox="351 1628 1438 1683">During the year, the HIA provided the Committee with summaries of fraudulent matters outlining the details of such incidents, key control failures, any financial loss and actions for improvement.</p> <p data-bbox="351 1711 1438 1795">The Group employs a comprehensive and confidential reporting procedure to assist management and employees to work together to address fraud, abuse, and other misconduct in the workplace. The Committee reviewed the operation of these procedures during the year and were satisfied with the process.</p>

# Nomination Committee Report



Michael Dowling  
Chairman of the Nomination  
Committee

Dear Shareholder,

I am pleased to present this report outlining the work undertaken by the Committee during 2015. In the year under review, we continued to lead the Board refreshment process, ensuring the composition of the Board has the correct balance of skills, knowledge, experience, diversity, and independence. In September, the Committee recommended the appointment of Mr. Tom Moran to the Board.

The refreshment of the three Board Committees was also considered which resulted in Dr. Karin Dorrepaal being appointed to the Nomination Committee and Mr. Tom Moran being appointed to the Audit Committee in December 2015.

The Committee continues to focus on a strategic succession plan for both the Board and Senior Management.

**Michael Dowling**  
Chairman of the Nomination Committee

## COMMITTEE MEMBERSHIP

The Nomination Committee consists of three independent Non-Executive Directors, Dr. Hugh Brady, Mr. James Kenny and since 11 December, 2015 Dr. Karin Dorrepaal and is chaired by Mr. Michael Dowling.

**Role, Responsibilities and Terms of Reference**  
The Nomination Committee reviews the size, structure and composition of the Board considering knowledge, skills, experience and diversity.

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

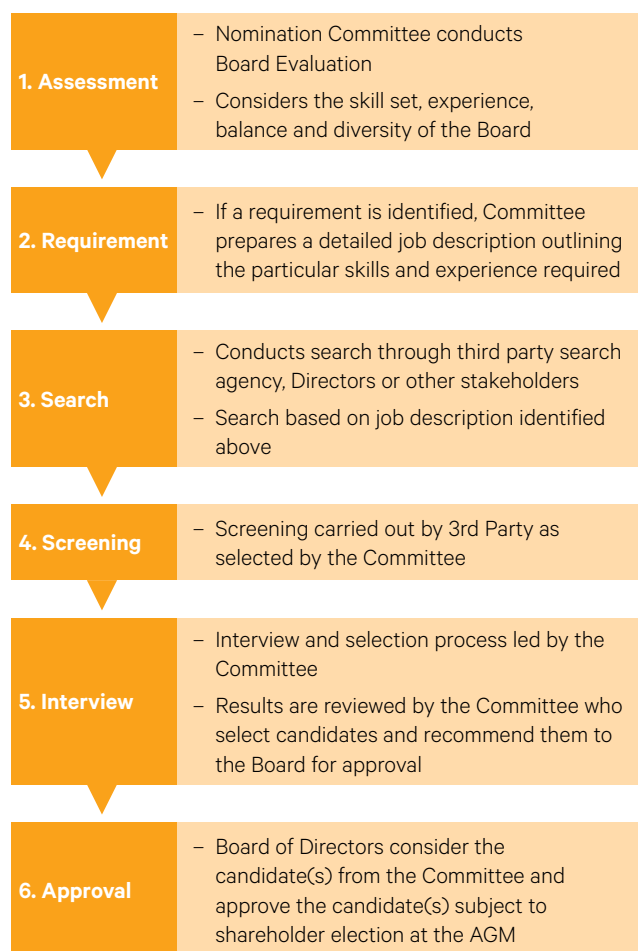
The Board ensures that the membership of the Nomination Committee is refreshed in accordance with the Group's Corporate Governance Policy.

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

The Committee's effectiveness is reviewed on an annual basis as part of the Board evaluation process. Further details on this process can be found on page 81.

The Committee is authorised by the Board to obtain independent professional advice and to secure the attendance of advisors with relevant experience and expertise if it considers this necessary. During 2015, the Group used the advice and services of the London office of Heidrick & Struggles which specialises in Executive and Non-Executive board member recruitment services. In addition the services of Mr. Peter Lever, a UK based independent management consultant, have been engaged to assist the Board in refreshment and succession planning to achieve the diversity and skills objectives. Neither Heidrick & Struggles nor Mr. Lever have any other connection to the Group.

The main responsibilities of the Committee are set out in written terms of reference which are available from the Group's website ([www.kerrygroup.com](http://www.kerrygroup.com)) or upon request.



#### Primary responsibilities of the Nomination Committee

- Evaluating the balance of skills, experience, independence, knowledge and diversity of the Board to ensure optimum size and composition
- Reviewing the Board Diversity Policy and the setting of measurable objectives for reporting the policy
- Ensuring an appropriate nomination process is in place for Board appointments
- Reviewing a candidate's other commitments to ensure that on appointment, a candidate has sufficient time to undertake the role
- Ensuring a formal induction plan is in place for each new Director on appointment
- Making recommendations to the Board on the appointment and re-appointment of both Executive and Non-Executive Directors
- Making recommendations to the Board concerning membership of Board Committees in consultation with the Chairmen of the Committees
- Ensuring plans and processes are in place for succession planning for Directors and senior management positions.

## NOMINATION PROCESS

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

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

The key stages in the nomination process are outlined in the diagram (above).

## BOARD REFRESHMENT POLICY

On an on-going basis the Nomination Committee reviews and assesses the structure, size, composition and overall balance of the Board and makes recommendations to the Board with regard to refreshment and succession planning.

Appointments to the Board are for a three year period, subject to shareholder approval and annual re-election, after consideration of annual performance evaluation and statutory provisions relating to the removal of a Director. The Board may appoint such Directors for a further term not exceeding three years and may consider an additional term if deemed appropriate. During the year, the Chairman conducted a rigorous review of all Non-Executive Directors as part of the Board evaluation process, taking into account the need for progressive refreshment of the Board.

## DIVERSITY POLICY

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

The Group has implemented a Diversity and Inclusion policy which forms part of the Group Code of Conduct ensuring that diversity and inclusion are embedded in Kerry Group's core values. Within this, the Group seeks to recruit, hire and retain the best talent from a diverse mix of backgrounds, with the skills and experiences to drive new ideas, products and services providing a sustained competitive advantage.



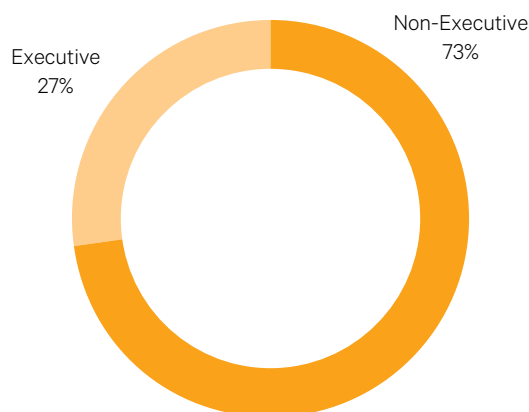
The Board believes in the benefits of having a diverse Board and the benefits that it can bring to its effective operation. Differences in background, skills, experiences, nationality and other attributes including gender, are considered in determining the optimum composition of the Board and with the aim to balance it appropriately. All Board appointments are made on merit, with due regard to diversity.

In reviewing Board composition and agreeing a job specification for new Non-Executive Director appointments, the Committee

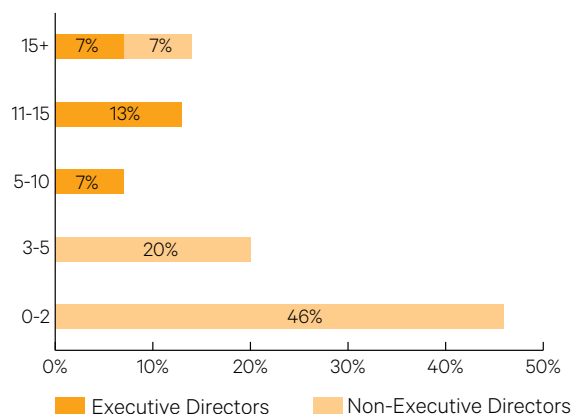
considers the benefits of all aspects of diversity including, but not limited to, those described above, in order to complement the range and balance of skills, knowledge and experience on the Board. As part of the identification process Heidrick & Struggles are required to present a list of potential candidates, who meet the stated specification and requirements, comprising candidates of diverse backgrounds for consideration by the Committee.

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

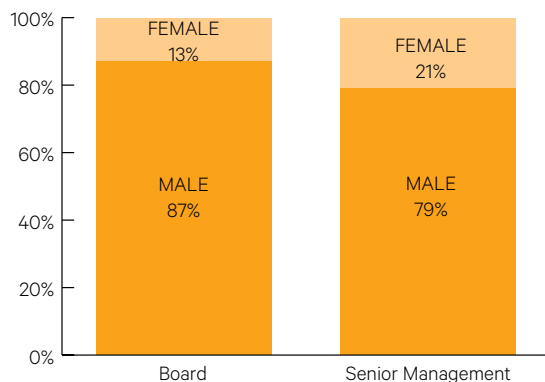
### EXECUTIVE/NON-EXECUTIVE DIRECTORS



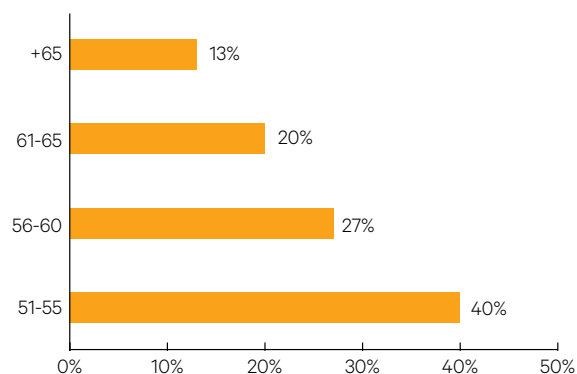
### BOARD TENURE (YEARS)



### DIVERSITY



### BOARD AGE PROFILE



## COMMITTEE MEETINGS AND ACTIVITIES 2015

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

Director	Attended	Eligible
Hugh Brady	4	4
Karin Dorrepaal	1	1
Michael Dowling	4	4
James C. Kenny	4	4

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

Subject	Committee Activity
<b>Internal and External Evaluation</b>	As outlined in detail on page 71 an internal review of the Board and its Committees took place in 2015. The Committee considered the outcome of this review and identified the areas relevant to the Nomination Committee. Each recommendation was assessed and an action plan was developed to address areas for potential improvement. These recommendations will form part of the agenda of the Committee for the coming year.
<b>Committee Terms of Reference</b>	The Committee reviewed its Terms of Reference during the year to ensure the contents remained relevant and appropriate and best reflect the role and responsibilities of the Committee.
<b>Board and Senior Executive Succession Planning</b>	<p>During the year the Committee continued to review Board and Senior Management succession planning to ensure the appropriate level of skills and diversity.</p> <p>The Committee has engaged an external consultant, Mr. Peter Lever, to assist and advise on a strategy for Board succession and refreshment into the future.</p> <p>The Committee continues to ensure that there is a robust succession plan for senior management positions.</p>
<b>Re-appointment of Directors</b>	<p>The Committee recommended to the Board that all Directors, subject to and seeking re-election, be put forward for re-appointment at the Group's 2016 AGM.</p> <p>In accordance with the Articles of Association, all newly appointed Directors are subject to election by shareholders at the AGM following their appointment. All other Board members are required to subject themselves for re-election by shareholders on an annual basis. The Board explains to shareholders, in the papers accompanying the resolutions to elect and re-elect the Non-Executive Directors, why they believe the individual should be re-elected. When proposing re-election, the Chairman confirms to shareholders that following formal performance evaluation, the individual's performance continues to be effective and demonstrates commitment to the role.</p>
<b>Appointment of Non-Executive Director</b>	<p>Mr. Tom Moran was appointed to the Board on 29 September 2015.</p> <p>This appointment to the Board was conducted in line with the nomination process contained on page 79 and Heidrick &amp; Struggles were engaged in the process as advisers to the Committee.</p>
<b>Board and Committees Composition and Refreshment Policy</b>	<p>As of 31 December 2015 the Board is made up of 15 Directors, comprising a Non-Executive Chairman, four Executive Directors and ten Non-Executive Directors. The average tenure of the Board currently stands at six years with two thirds of the Board having been appointed in the past five years.</p> <p>The tenure of Board members serving on each Committee was considered and membership of each Committee is reviewed on an on-going basis to ensure each are appropriately refreshed.</p> <p>As a result of this review Tom Moran was appointed to the Audit Committee and Dr. Karin Dorrepaal was appointed to the Nomination Committee in December 2015.</p>

# Remuneration Committee Report

## SECTION A: CHAIRMAN'S ANNUAL STATEMENT



Joan Garahy  
Chairman, Remuneration Committee

Dear Shareholder,

On behalf of the Remuneration Committee, I am pleased to present the Directors' Remuneration Report for the year ended 31 December 2015. The Group's remuneration policy is outlined on page 86. The Committee is confident that the Group's policy achieves its strategic objectives, is properly governed and operates to the highest standards. We have proposed changes to the Group's executive remuneration policy for 2016 which we have outlined below and detailed in the report.

### LINKING REMUNERATION AND REWARD TO GROUP STRATEGY

The Committee is dedicated to structuring a remuneration policy which is stretching to incentivise performance, with remuneration metrics directly aligned to the Group's key performance indicators to deliver value to shareholders.

The Group is focused on delivering on its targets of growth in business profitability and exceeding return on investment hurdles. Appropriate metrics are in place to achieve these goals which are detailed later in the report on page 90 [and as referenced on pages 18 and 19 of the strategic report]. In addition, minimum share ownership requirements for Executive Directors, combined with a performance and deferral period of up to 5 years for share based remuneration, aligns the Executive Directors' interests with that of the shareholders.

### 2015 FINANCIAL YEAR

In a challenging global business environment, the Group again delivered a good financial performance for the year as shown below.

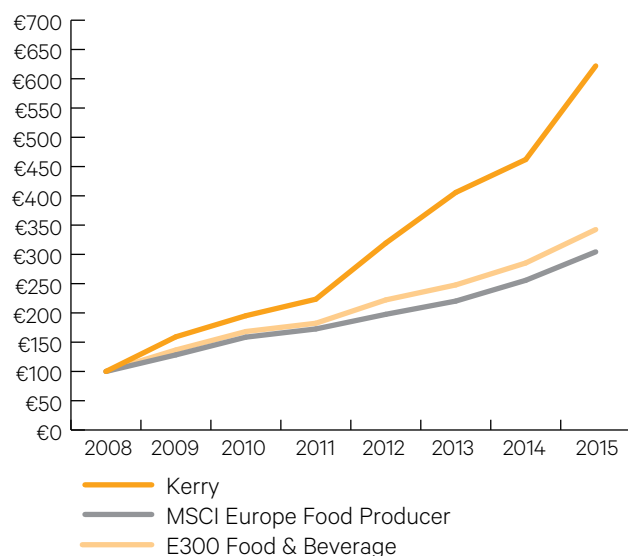
2015 Performance	Results
Adjusted Earnings Per Share (EPS) Growth	8.2%
Total Shareholder Return (TSR)	35%
Return on Average Capital Employed (ROACE)	13.6%

### EXECUTIVE DIRECTOR REMUNERATION POLICY FOR 2016

As part of a three year review cycle, the CEO, CFO and Executive Directors remuneration was reviewed and benchmarked during 2015. The review found that, when compared with similar sized Irish, UK, US and European companies in the sector, Executive Director remuneration levels were generally between the median and lower quartile of the peer group at target opportunity, with the CFO in the lower quartile. At maximum opportunity, the CEO and Executive Directors levels were closer to the lower quartile, with the CFO again in the lower quartile. The Committee, having consulted with major institutional shareholders, is of the opinion that this gap in total reward is too great and an adjustment is required.

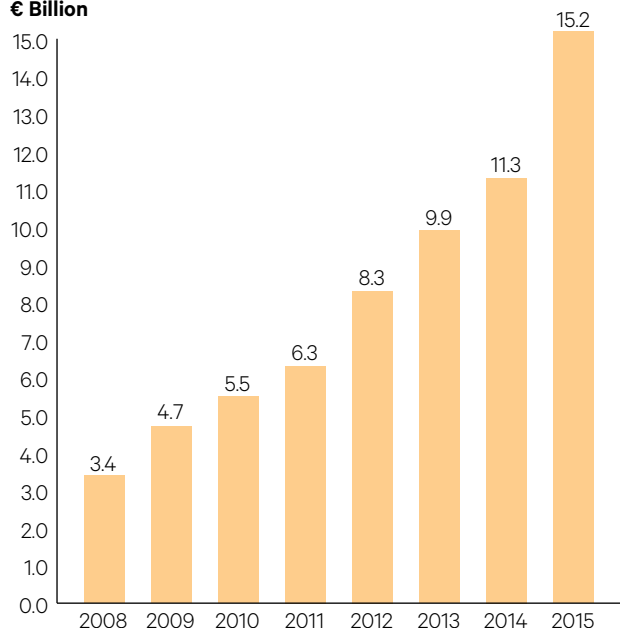
The Executive team is well established and has delivered significant value to shareholders in the form of continued Total Shareholder Return growth (in excess of 500% over 7 years). In the same period the enterprise value has increased from €3.4bn to €15.2bn.

## 7 YR TOTAL SHAREHOLDER RETURN (VALUE OF €100 INVESTED ON 31/12/2008)



## ENTERPRISE VALUE

€ Billion



Over the last 7 years there have been minimal increases to basic salaries for the CEO, CFO and Executive Directors (average of circa 2% per annum since 2008). In addition, annual bonus opportunities for the CEO, CFO and Executive Directors have remained unchanged for the same period against stretching targets and difficult economic conditions.

With this in mind, and in line with our strategy of rewarding strong performance, increases to remuneration are merited. The Committee recommend the following salary increases with effect from 1 January

2016. The CEO's salary will increase by 9% and the CFO's salary will increase by 18%. In the case of the CFO only, this is part one of a phased process to align his basic salary closer to the median of the peer group. The Committee further deem it is appropriate to increase the maximum annual incentive opportunity under the Short Term Incentive Plan for our CEO from 100% to 150% of basic salary and for our CFO from 90% to 125% of basic salary.

The base remuneration levels of the other Executive Directors was found to be appropriate and therefore the Committee recommend that increases to basic salary of 2% be applied in line with inflation. The review has also identified the need to increase the maximum annual incentive opportunity under the Short Term Incentive Plan for the other Executive Directors from 90% - 100% to 125% of basic salary.

In all cases the target annual incentive opportunity under the Short Term Incentive Plan represents 70% of the maximum opportunity.

In making these recommendations the Committee have considered the continued growth of the Group and the greater alignment of our executive remuneration policy with that of our peers. We are confident that our executives will continue to deliver significant value to our shareholders and that our performance measures remain relevant, stretching and appropriate.

There are no proposed changes to the Long Term Incentive Plan.

## INCENTIVE PLANS

The Committee continued to monitor the Short Term Incentive Plan (STIP) and the Long Term Incentive Plan (LTIP) arrangements for the Group's Executive Directors and senior management in 2015 to ensure that the performance metrics used for the Group's incentive plans remain appropriate and reflective of the Group's strategic objectives. The overall effectiveness of the STIP and LTIP were reviewed in 2015 to ensure each plan was structured appropriately to incentivise Executive Directors and senior management. Malus/clawback provisions were also reviewed and were deemed appropriate for both plans.

## CONCLUSION

The Committee continues to review the Group's remuneration policy to ensure that it remains aligned to shareholders' interests, is correctly reported in line with relevant legislation and provides the right framework to attract, retain and motivate the Executives to meet the Group's objectives. As in previous years, the remuneration report is being put to shareholders for an advisory vote. Last year 98% of our shareholders voted in favour of the report and I would encourage shareholders to again support this year's remuneration resolution.

Yours sincerely

**Joan Garahy**

Chairman, Remuneration Committee

## SECTION B: REMUNERATION COMMITTEE & KEY ACTIVITIES

### REMUNERATION COMMITTEE MEMBERSHIP

During the year, the Remuneration Committee comprised three independent Non-Executive Directors; Mr. James C. Kenny, Dr. Karin Dorrepaal and was chaired by Ms. Joan Garahy. Details of the skills and experience of the Directors are contained in the Directors' biographies on pages 62 to 63.

### ROLE OF THE REMUNERATION COMMITTEE

On behalf of the Board, the Remuneration Committee is responsible for determining the remuneration policy for the CEO and the other Executive Directors on an annual basis. The CEO is invited to attend Remuneration Committee meetings, but does not attend Committee meetings when his own remuneration is discussed. The Committee also has access to internal and external professional advice as required. The Committee follows an annual and tri-annual calendar with matters scheduled and planned well in advance. Decisions are made within agreed reference terms, with additional meetings held as required. In considering the agenda the Committee gives due regard to overall business strategy, the interests of shareholders and the performance of the Group.

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

The main responsibilities of the Committee are set out in its written terms of reference and are available from the Group's website [www.kerrygroup.com](http://www.kerrygroup.com) and upon request.

### Key Responsibilities:

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

- to review the remuneration of the CEO and Executive Directors;
- to review the remuneration of the Chairman and Non-Executive Directors;
- to review and approve incentive plan structures and targets;
- to agree the design of all share incentive plans for approval by the shareholders;
- to ensure the contractual terms of Executive Directors are deemed fair and reasonable;
- to place before shareholders at each AGM, a Directors' Remuneration Report outlining the Company's policy and disclosures on remuneration;
- to arrange where appropriate, external benchmarking of overall remuneration levels and the effectiveness of share based incentives and long term incentive schemes;
- to receive recommendations from the CEO and have oversight of the salaries and overall remuneration of senior management; and
- to review annually its own performance and terms of reference to ensure it is operating effectively.

### COMMITTEE MEETINGS AND ACTIVITIES 2015

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

Director	Attended	Eligible
Joan Garahy	4	4
James C. Kenny	4	4
Karin Dorrepaal	4	4

The key activities undertaken by the Committee in discharging its duties during 2015 are set out below:

Subject	Committee Activity
<b>Remuneration Report</b>	A review of best practice remuneration reporting was completed during 2015 to ensure compliance with relevant legislation and reporting requirements while also ensuring the delivery of a report which is transparent and understandable for all shareholders. As part of this review, the Committee considered the recent amendments in reporting requirements detailed in the 2014 Irish Companies Act and is satisfied that the Group is in full compliance with the Act. The Committee continues to monitor the ongoing discussions and commentary on the pending EU Shareholders' Rights Directive (the outcome of which is expected to be known in 2016) to prepare for its introduction and implementation.
<b>Basic Salary</b>	A detailed benchmark review of Executive Directors' salaries is scheduled on a three year cycle and this was completed in 2015 [see Implementation Section on page 89 for details on the outcome of the review].
<b>Short Term Incentive Plan (STIP)</b>	STIP awards were reviewed during 2015 by the Remuneration Committee to ensure that the plan remains appropriately stretching and aligned with the Group and business strategy [see Implementation Section on page 90 for details on the outcome of the review]
<b>Long Term Incentive Plan (LTIP)</b>	The Committee reviewed the overall effectiveness of the LTIP during 2015 to ensure it is structured appropriately to incentivise Executive Directors and senior management across the Group [see Implementation Section on page 90 for details on the outcome of the review].



Subject	Committee Activity
<b>Chairman &amp; Non Executive Directors' Fees</b>	A detailed benchmark review of the Chairman's and Non-Executive Directors' fees was undertaken in 2014 with the assistance of Willis Towers Watson. Recommended increases from this review were effective from 1st January 2015. Following this detailed review last year, the Committee proposed no changes to fee levels for the Chairman and Non-Executive Directors for 2016.
<b>Shareholder Consultation</b>	<p>The Committee reviewed the results of the vote by shareholders to receive and consider the Remuneration Report at its first meeting following the 2015 AGM. The vote on the "Say on Pay" resolution was 98% in favour, with shareholders voting overwhelmingly in support of the report.</p> <p>The Committee, in early 2016, discussed the outcome of the 2015 Executive Directors remuneration review with major institutional shareholders who provided useful feedback which was considered by the Committee. This feedback, together with additional feedback received from shareholder representative bodies and governance groups, and the result of shareholders votes, informed the final pay change proposals.</p>
<b>Senior Management Review</b>	Within its terms of reference there is a requirement for the Committee to have oversight of the salaries and overall remuneration of senior management. In line with this, a benchmark review for senior management was completed in 2015 with Willis Towers Watson. The outcome of this review, including the recommendations and proposed increases, were presented to the Committee.
<b>Committee Performance Review</b>	During 2015 the Committee completed a review of its own performance. Specifically the Committee evaluated the operation of the remuneration structure changes effected in 2015. An assessment of the level of interaction with shareholders in the year under review was also completed to ensure the Committee was effective in discharging its responsibilities.
<b>Committee Review of Terms of Reference</b>	During the year the Committee updated its' Terms of Reference. A copy of these terms is available on the group website <a href="http://www.kerrygroup.com">www.kerrygroup.com</a>

#### REMUNERATION COMMITTEE ADVISORS

The Remuneration Committee is authorised by the Board to appoint external advisors. Willis Towers Watson (named Towers Watson during 2015) has been appointed as the advisor to the Remuneration Committee. Willis Towers Watson has also provided management remuneration information and pension advisory services to the group during the period under review. Willis Towers Watson is a member of the Remuneration Consultant's Group and the Committee ensures that the nature and extent of these other services does not affect the advisor's independence. The fees incurred with Willis Towers Watson for advising the Committee in 2015 were €244,000 (2014: €66,000).

## SECTION C: REMUNERATION POLICY

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

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

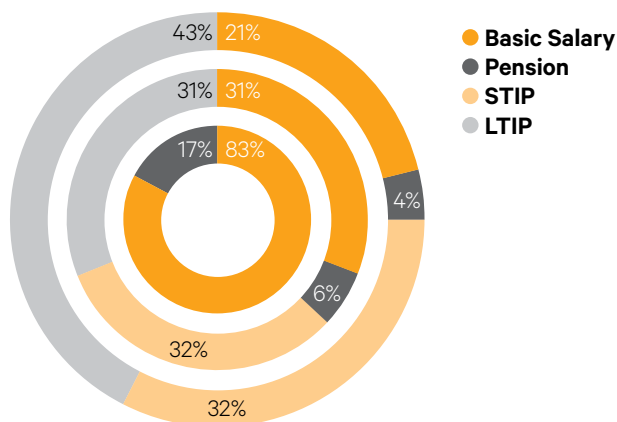
A high proportion of Executive Directors' potential remuneration is based on short term and long term performance related incentive programmes. By incorporating these elements, the Remuneration Committee believes that the interest and risk appetite of the Executive Directors is properly aligned with the interests of the shareholders and other stakeholders.

Necessary expenses incurred undertaking company business, are reimbursed and/or met directly so that Executive Directors are no worse off on a net of tax basis for fulfilling company duties.

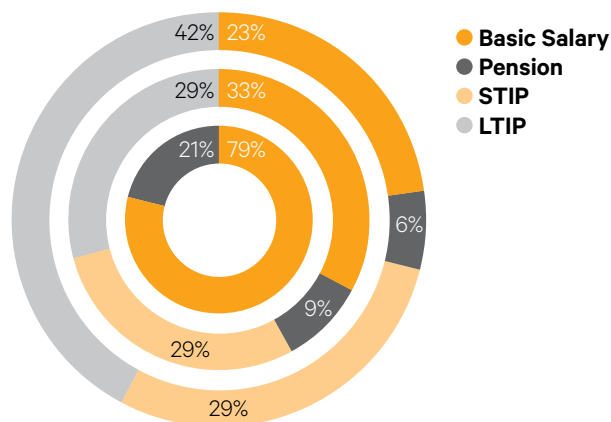
### ILLUSTRATION OF REMUNERATION POLICY

The following diagram shows the minimum, target and maximum composition balance between the fixed and variable remuneration components for each Executive Director effective 1 January 2016. The inner most circle represents the minimum potential scenario for remuneration, with the middle circle representing target and the outer circle representing maximum potential.

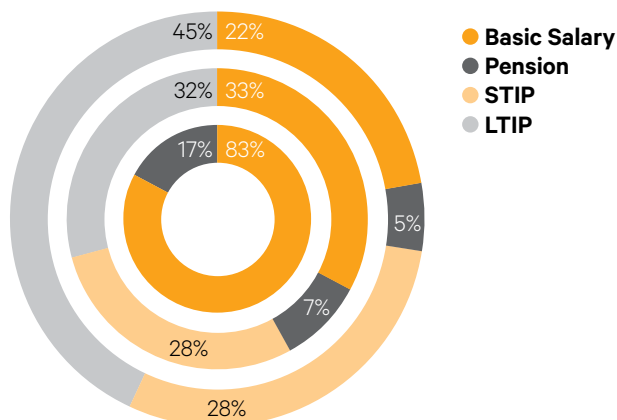
**STAN MCCARTHY**



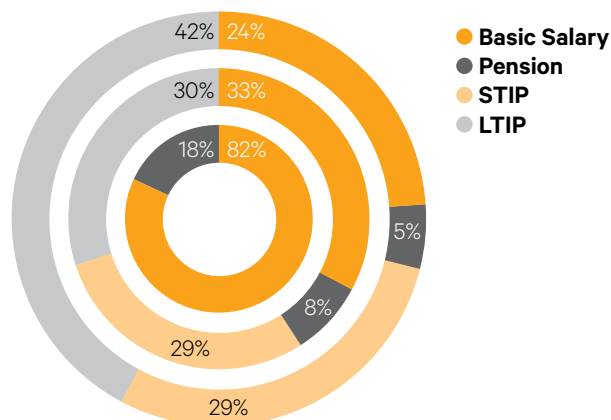
**BRIAN MEHIGAN**



**GERRY BEHAN**



**FLOR HEALY**



## SERVICE CONTRACTS

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

## NON-EXECUTIVE DIRECTORS' REMUNERATION POLICY

Non-Executive Directors' fees, which are determined by the Board as a whole, fairly reflect the responsibilities and time spent by the Directors on the Group's affairs. In determining the fees, which are set within the limits approved by shareholders, consideration is given to both the complexity of the Group and the level of fees paid to Non-Executive Directors in comparable companies. On a three year cycle, the Chairman of the Remuneration Committee will review Non-Executive Directors' fees, consult with the Committee and present any recommendations to the full Board for approval. This review was last undertaken in 2014 and increases were made effective from 1 January 2015. Fees will remain unchanged in 2016 and will be reviewed again in 2017 in accordance with the three year review cycle. Non-Executive Directors do not participate in the Group's incentive plans, pension arrangements or other elements of remuneration provided to the Executive Directors. No payments are made to Non-Executive Directors for expenses, other than those incurred wholly and directly in the course of their appointments.

## FUTURE POLICY TABLE

The following table details the remuneration policy for the Group's Executive Directors effective from 1 January 2016:

Purpose and link to strategy	Operation	Opportunity	Performance metrics
<b>Basic Salary</b>			
Reflects the value of the individual, their skills and experience	<ul style="list-style-type: none"> <li>Remuneration Committee sets the basic salary and benefits of each Executive Director</li> <li>Determined after taking into account a number of elements including the Directors' performance, experience and level of responsibility</li> <li>Paid monthly in Ireland and bi-monthly in the US</li> <li>Salary is referenced to job responsibility and internal/external market data</li> <li>Pay conditions across the Group are also considered when determining any basic salary adjustments</li> </ul>	<ul style="list-style-type: none"> <li>Set at a level to attract, retain and motivate Directors</li> <li>Reviewed annually</li> <li>Full benchmark review undertaken every three years</li> </ul>	<ul style="list-style-type: none"> <li>Not applicable</li> </ul>
Competitive salaries are set to attract, retain and motivate executives to deliver strong performance for the Group			
<b>Benefits</b>			
To provide a competitive benefit package aligned with the role and responsibilities of Directors	<ul style="list-style-type: none"> <li>These benefits primarily relate to the use of a company car or a car allowance</li> <li>Business travel costs are reimbursed and/or met directly so that Executive Directors are no worse off on a net of tax basis for fulfilling company duties</li> </ul>	<ul style="list-style-type: none"> <li>Not applicable</li> </ul>	<ul style="list-style-type: none"> <li>Not applicable</li> </ul>
<b>Short Term Performance Related Incentives*</b>			
To incentivise the achievement, on an annual basis, of key performance metrics and short term goals beneficial to the Group and the delivery of the Group's strategy	<ul style="list-style-type: none"> <li>Achievement of predetermined earnings growth and other performance targets set by the Remuneration Committee</li> <li>Performance targets aligned to published strategic targets</li> <li>75% of the award payable in cash</li> </ul>	<ul style="list-style-type: none"> <li>Maximum opportunity 125% - 150% of basic salary</li> <li>70% of maximum opportunity for on-target performance</li> </ul>	<ul style="list-style-type: none"> <li>Adjusted Earnings Per Share</li> <li>Business Operating Profit</li> <li>Cash Flow/Margin</li> <li>Personal and Strategic Objectives</li> </ul>
A 25% deferral in shares/options provides a 2 year retention element and aligns executives' interests with shareholders' interests	<ul style="list-style-type: none"> <li>25% awarded by way of ordinary shares/options to be issued two years after vesting following a deferral period</li> <li>Malus &amp; clawback provisions are in place for awards under the STIP (see below)</li> </ul>		

Purpose and link to strategy	Operation	Opportunity	Performance metrics
<b>Long Term Performance Related Incentives*</b>			
Retention of key management and incentivisation of sustained performance against key metrics over a longer period of time	<ul style="list-style-type: none"> <li>– The awards vest depending on a number of separate performance metrics being met over a three year performance period</li> <li>– Conditional awards over shares or share options in the Group</li> <li>– 50% of the earned award delivered at vesting date</li> <li>– 50% of the earned award issued following a two year deferral period (i.e. giving a combined performance period and deferral period of 5 years)</li> <li>– Malus &amp; clawback provisions are in place for awards under the 2013 LTIP (see below)</li> </ul>	<ul style="list-style-type: none"> <li>– Maximum opportunity 180% - 200% of basic salary</li> <li>– 50% of maximum opportunity for on-target performance</li> </ul>	<ul style="list-style-type: none"> <li>– Adjusted Earnings Per Share</li> <li>– Total Shareholder Return</li> <li>– Return on Average Capital Employed</li> </ul>
Share based to provide alignment with shareholder interests			
A 50% deferral provides a retention element and aligns executives' interests with shareholders' interests			
<b>Shareholding Requirement</b>			
Maintain alignment of the interests of the shareholders and the Executive Directors and commitment over the long term	<ul style="list-style-type: none"> <li>– Executive Directors are expected to build and to hold shares in the Company to a level not less than 180%-200% of their basic salary over a five year time period (see below)</li> </ul>	<ul style="list-style-type: none"> <li>– Not applicable</li> </ul>	<ul style="list-style-type: none"> <li>– 180% - 200% of basic salary</li> </ul>
<b>Pension</b>			
To provide competitive retirement benefits to attract and retain executives	<ul style="list-style-type: none"> <li>– Executive Directors in the US participate in the Group's defined benefit and defined contribution pension schemes</li> <li>– Irish resident Directors receive a contribution to an after tax savings scheme (see below)</li> </ul>	<ul style="list-style-type: none"> <li>– Not applicable</li> </ul>	<ul style="list-style-type: none"> <li>– Not applicable</li> </ul>

\*The Committee may at its discretion, amend or vary the performance conditions of the STIP and LTIP where it is deemed appropriate.

## PENSIONS

A review of pension provisions for the Executive Directors impacted by the lifetime earnings cap in Ireland was concluded during 2012. The Irish resident Directors have thus been offered a contribution (on a cost neutral basis to the Company) to an after tax savings scheme as an option. Both Directors affected have taken up this option. The US resident Directors participate in a US defined benefit pension scheme which was constructed to deliver the same equivalent pension benefit as delivered under the Irish defined benefit scheme, which calculates pension benefit based on basic pay.

## SHAREHOLDING REQUIREMENT

Share ownership is a key component of the Group's Remuneration Policy as it helps maintain alignment between the interests of the shareholders and the interests of the Executive Directors. To help maintain commitment over the long term, Executive Directors are expected to build and to hold shares in the Company to a level not less than 180% - 200% of their basic salary, over a five year period. All Executive Directors have significantly exceeded the minimum shareholding requirement. [See table on page 98 in section D for details].

## DILUTION

The company offers Executive Directors and employees the opportunity to participate in share based schemes as part of the Group's remuneration policy. In line with best practice guidelines, the company ensures that the level of share awards granted under these schemes over a rolling ten year period does not exceed 10% of the Company's share capital. The dilution resulting from vested share awards/share options for this ten year period is 1.9%.

The potential future dilution level from unvested share awards/share options as a result of these schemes is a further 0.6%.

## **CLAWBACK / MALUS**

The Committee has the discretion to reduce or impose further conditions on the STIP and LTIP awards prior to vesting (malus). It further has the discretion to recover incentives paid within a period of 2 years from vesting (clawback), where the Audit Committee determines that:-

- a material misstatement of the Company's audited financial results or a serious wrongdoing has occurred;  
and
- as a result of that misstatement or serious wrongdoing, there will need to be a restatement of the accounts and that the incentive awarded was in excess of the amount that would have been awarded had there not been such a misstatement.

Any recalculation shall be effected in such manner and subject to such procedures as the Company determines to be measured and appropriate, including repayment of any excess incentive or set off against any amounts due or potentially due to the participant under any vested or unvested incentive awards.

Other elements of remuneration are not subject to clawback or malus provisions.

## **CONSIDERATION OF EMPLOYMENT CONDITIONS ELSEWHERE IN THE COMPANY**

When setting the remuneration policy for Executive Directors, the Remuneration Committee takes into account the pay and employment conditions of the other employees in the Group. Senior management are invited to participate in both the STIP and LTIP to incentivise performance through the achievement of short term and long term objectives and through the holding of shares in the Company. While the Committee does not consult directly with employees when setting remuneration for Executive Directors, it does take into account information provided by our external advisors, Willis Towers Watson, in conjunction with feedback provided by the Human Resource function.

## **IMPLEMENTATION OF FUTURE POLICY**

### **BASIC SALARY AND BENEFITS**

A detailed benchmark review of Executive Directors' salaries is scheduled on a three year cycle and this was completed in 2015 (last review occurred in 2012). This review included amongst other things, a study of a significant number of comparable Irish, UK, US and European companies in the sector.

The review was designed to ensure basic salaries are reflective of experience, performance, the scope of the roles, changes in responsibilities and also to ensure alignment with the market.

The 2015 review, performed in conjunction with Willis Towers Watson, determined that there is a shortfall between our CEO and CFO's remuneration and that of our market peers. The Executive team have delivered significant value to shareholders in the form of continued Total Shareholder Return growth (in excess of 500% over 7 years). Over the same period there have been minimal increases to basic salaries (average of circa 2% per annum) and annual bonus opportunities have remained unchanged against stretching targets and difficult economic conditions.

Following the outcome of the review, it has been agreed to increase the basic salary level of the CEO from \$1,330k to \$1,450k (9% Increase) and the CFO from €522k to €616k (18% Increase) effective from 1st January 2016. In the case of the CFO only, this is part one of a phased process to align his basic salary closer to the median of the peer group. The basic salaries of the other Executive Directors will be adjusted by 2% in line with inflation.



## SHORT TERM PERFORMANCE RELATED INCENTIVE AWARD (STIP)

The structure of the scheme is reviewed regularly to ensure that it develops in line with the Group's strategic goals. A review of the STIP was completed in 2015 to ensure the targets set were stretching, linked to strategy and appropriately calibrated. The performance targets remain stretching and support our business strategy and the ongoing enhancement of shareholder value through a focus on a return for shareholders, increasing profit and cash generation. Furthermore the malus and clawback provisions of the STIP, which include a 2 year clawback provision (outlined on page 89) are deemed to be appropriate and effective.

The targets set for 2016 are a combination of a number of performance metrics as set out in the table below:

2016 STIP – Performance Metrics and Weightings								
	Stan McCarthy		Brian Mehigan		Flor Healy		Gerry Behan	
	% of award		% of award		% of award		% of award	
Metrics	Target	Max	Target	Max	Target	Max	Target	Max
Adjusted EPS Growth	49%	70%	49%	70%	35%	50%	35%	50%
Business Operating Profit	–	–	–	–	14%	20%	14%	20%
Cash Flow/Margin	14%	20%	14%	20%	14%	20%	14%	20%
Personal and Strategic	7%	10%	7%	10%	7%	10%	7%	10%
Total	70%	100%	70%	100%	70%	100%	70%	100%

These are considered to be the key metrics as they align with the Group's objectives while also ensuring the long term operational and financial stability of the Group. Adjusted EPS growth was chosen as a key performance metric as it encompasses all the components of growth that are important to the Group's stakeholders. This metric represents 70% of the overall weighting for the CEO and the CFO and 50% of the overall weighting for the other Executive Directors. For 2016, the Group's **adjusted EPS target is set at 10%** annual growth in excess of the 2015 adjusted EPS.

Business Operating Profit and Cash Flow/Margin reflect the operational performance of the business incorporating key metrics of sales growth, margin improvement and cash flow delivery. Personal and Strategic objectives, that are relevant to each Executive's specific area of responsibility, are key in ensuring strategic and functional goals are capable of being rewarded. As these metrics are commercially sensitive, targets are not disclosed at this time.

In conjunction with the review of basic salaries referred to above, the Committee has decided to increase the level of maximum STIP opportunity for the CEO from 100% - 150% of basic salary and also increase the maximum opportunity of the other Executive Directors from 90% - 100% to 125% of basic salary. In all cases the target annual incentive opportunity under the Short Term Incentive Plan represents 70% of the maximum opportunity.

**Note:** See Group Key Performance Indicators (KPIs) on pages 18 and 19 for link between the performance metrics used for incentive purposes and the Group's strategy.

## LONG TERM PERFORMANCE RELATED INCENTIVES (LTIP)

The Committee reviewed the overall effectiveness of the LTIP during 2015 to ensure it is structured appropriately to incentivise Executive Directors and senior management across the Group.

The level of opportunity under this scheme available to the CEO and Executive Director's is to remain unchanged following the review. The LTIP performance metrics and weightings were reviewed in 2015 and deemed to be in accordance with Group strategy while remaining suitably stretching. As part of this review the performance metrics used by other companies in our peer group were also taken into consideration. LTIP thresholds, targets and maximum opportunities are deemed to be appropriately calibrated to maintain alignment between the interests of Directors and shareholders. The malus and clawback provisions applying to the 2013 LTIP (outlined on page 89) are deemed to be appropriate and effective and include a 2 year clawback provision.

## SHAREHOLDER ENGAGEMENT

The Committee discussed the adjustments outlined above with major institutional shareholders who welcomed the engagement and provided useful feedback which was further considered by the Committee.

## SECTION D: 2015 DIRECTORS' REMUNERATION

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

### EXECUTIVE DIRECTORS' REMUNERATION

As Stan McCarthy and Gerry Behan are paid in the US in US dollars, the reporting of their year on year remuneration is impacted by the appreciation of the US dollar against the euro which is significant for 2015. We have shown their remuneration in their home country currency (US dollars) for comparison purposes.

	Basic Salaries		Benefits		Pensions <sup>2</sup>		Performance Related <sup>3</sup>		LTIP <sup>4</sup>		Total	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Stan McCarthy	1,330	1,304	109	96	273	303	768	744	2,139	1,919	4,619	4,366
Gerry Behan	835	810	33	51	173	214	522	373	1,329	1,187	2,892	2,635
Total US \$	2,165	2,114	142	147	446	517	1,290	1,117	3,468	3,106	7,511	7,001
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Total US \$ in EUR <sup>€1</sup>	1,950	1,590	128	110	402	389	1,162	840	3,124	2,335	6,766	5,264
Brian Mehigan <sup>2</sup>	522	512	30	29	143	145	271	263	900	673	1,866	1,622
Flor Healy <sup>2</sup>	557	546	11	14	126	129	243	129	960	718	1,897	1,536
	3,029	2,648	169	153	671	663	1,676	1,232	4,984	3,726	10,529	8,422

**Note 1:** Given the significant movement of the euro to US dollar exchange rate over the year, the table shows the Executive Directors' pay in the currency of payment to ensure clarity in payments and changes year on year.

**Note 2:** The pension figures outlined above for both Stan McCarthy and Gerry Behan include both defined benefit and defined contribution retirement benefits, while for Stan McCarthy retiree medical benefits are also included in this figure. The Irish Finance Act 2011 established a cap on pension provision by introducing a penal tax charge on any benefits exceeding €2.3m in value. In response to this, the Remuneration Committee decided to offer Executive Directors who are members of the Irish pension scheme the option to have contributions made to a savings plan in lieu of further pension accrual, on an overall cost neutral basis to the Company. Both Brian Mehigan and Flor Healy have opted for the alternative savings plan and the figures included above reflect this including life cover.

**Note 3:** This STIP amount represents 75% delivered in cash with 25% delivered by way of shares/share options which are deferred for two years.

**Note 4:** The share price used to calculate the value of the LTIP is the average share price for the three months up to the end of the year being reported.

### BASIC SALARY INCREASES

The Remuneration Committee proposed an increase in basic salaries in 2015 of 2% on average (in local currency) in line with inflation. The Group's CEO received an increase of 2% of basic salary with the average increase for all Group employees in 2015 being approximately 3.4%.

### ANNUAL INCENTIVE OUTCOMES (STIP)

2016 STIP – Disclosure against Target/Outcome				
Performance achieved relative to targets				
Metrics	Threshold 0%	Target 70%	Maximum 100%	Performance Achieved
Adjusted EPS Growth		●		57.7%
Business Operating Profit		●		63.3%
Business Operating Cash Flow		●		63.0%

As reflected in the table above, for 2015 the Group achieved performance below the target opportunity level set by the Remuneration Committee, which demonstrates that the targets are stretch targets in the current environment.

For 2015, the Group's adjusted EPS target was set at **10%** annual growth in excess of the 2014 adjusted EPS. The Group realised **8.2%** growth for the year.

As Business Operating Profit and Business Operating Cash Flow are key internal business metrics, the results in the table above are the accumulated averages for the Executive Directors. As these metrics are commercially sensitive the targets are not disclosed. These targets will be disclosed when they are considered to be no longer commercially sensitive.

### **LONG TERM INCENTIVE PLAN (LTIP)**

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

Depending on performance metrics being met, the 2013 LTIP plan will vest over a three year performance period. 50% of the award is delivered at the vesting date with the remaining 50% of the award being delivered following a two year deferral period. This provides for a combined performance period and deferral period of 5 years.

### **2006 LTIP**

Conditional awards have been made in 2011, 2012 and 2013 and these will potentially vest or partially vest three years after each award date if the predetermined performance targets are achieved. Since 2013, no further conditional awards have been issued under the 2006 LTIP and the final awards will vest in 2016.

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

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

The proportion of each conditional award which vests will depend on the adjusted EPS and TSR performance of the Group during the relevant three year performance period.

### **EPS performance test**

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

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

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

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

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

### **TSR performance test**

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

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

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

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

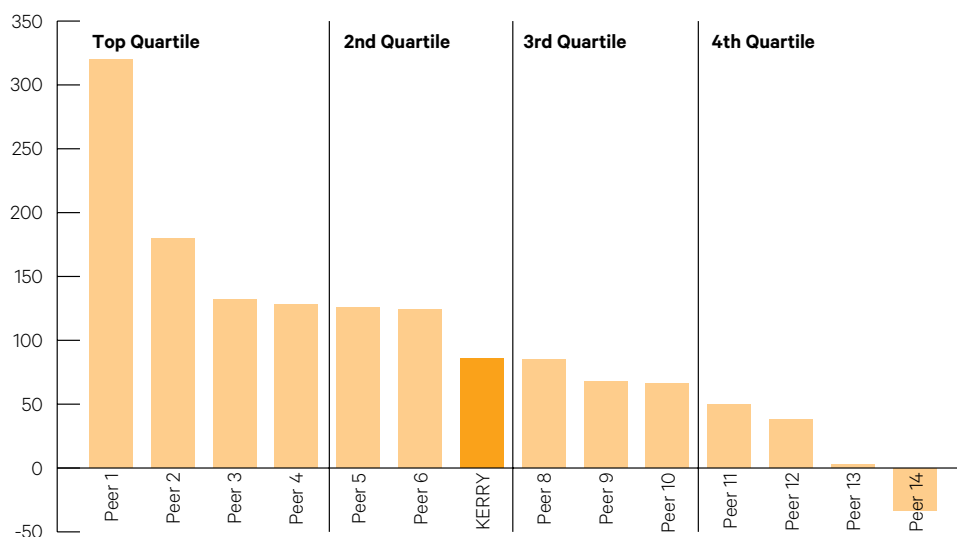
Position of Kerry in the Peer Group	Percentage of the Award which Vests
Below median	0%
Median	30%
Between median and 75th percentile	Straight line between 30% and 100%
Greater than 75th percentile	100%

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

### Overall outcome of the 2006 LTIP vesting in 2016

The performance graph below shows Kerry's TSR compared to the peer companies over the three year performance period from 1 January 2013 to 31 December 2015 for the 2006 LTIP awards which issued in 2013. These awards have a vesting date on or before 30 April 2016.

### 3 YEAR TSR: KERRY AND COMPARATOR 1 JAN 2013 – 31 DEC 2015



The outcome of the measurement of the adjusted EPS condition in relation to the 2013 awards is that the CPI plus 22.5% condition was exceeded.

Long Term Incentive Plan	TSR Performance (50% of Award)	Actual Vesting of TSR Award	EPS Performance (50% of Award)	Actual Vesting of EPS Award	Total % Vested
2006	53rd percentile*	20.3%	26.5% growth*	50%	70.3%

\*See TSR and EPS tables above for details of performance metrics.

## 2013 LTIP

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

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

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

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

The proportion of each conditional award which vests will depend on the adjusted EPS, TSR and ROACE performance of the Group during the relevant three year performance period.

### EPS performance test

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

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

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

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

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

### TSR performance test

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

Aryzta	Givaudan	Kellogg	Sensient Technologies
Chr. Hansen*	Glanbia	McCormick & Co.	Symrise
Barry Callebaut	Greencore	Nestle	Tate & Lyle
Corbion	Danone	Novozymes	Unilever
General Mills	IFF	Premier Foods	

*\*It was agreed for 2015 onwards to replace Associated British Foods with Chr. Hansen in the peer group.*

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

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



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

### ROACE performance test

20% of the award vests according to the Group's ROACE over the performance period. ROACE represents a good perspective on the Group's internal rate of return and financial added value for shareholders. ROACE supports the strategic focus on growth and margins through ensuring cash is reinvested to generate appropriate returns.

This measurement will be determined by reference to the ROACE in each of the three financial years included in the performance period:

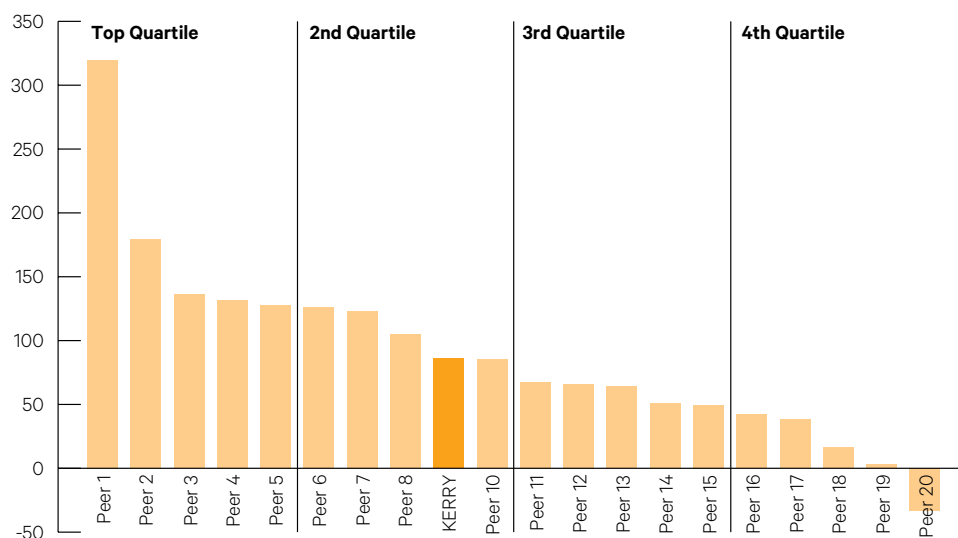
	Return on Average Capital Employed	Percentage of the Award which Vests
Threshold	10%	25%
Target	12%	50%
Maximum	14%	100%

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

### Overall outcome of the 2013 LTIP vesting in 2016

The performance graph below shows Kerry's TSR compared to the peer companies over the three year performance period from 1 January 2013 to 31 December 2015 for the 2013 LTIP awards which issued in 2013. These awards have a vesting date on or before 30 April 2016.

### 3 YEAR TSR: KERRY AND COMPARATOR 1 JAN 2013 - 31 DEC 2015



See chart on page 99, which illustrates the Group's TSR performance from 2008 to 2015.

The outcome of the measurement of the adjusted EPS condition in relation to the 2013 awards is that the threshold condition of 8% was exceeded.

The outcome of the measurement of the ROACE in relation to the 2013 award is that the maximum condition of 14% was achieved.

Long Term Incentive Plan	TSR Performance (30% of Award)	Actual Vesting of TSR Award	EPS Performance (50% of Award)	Actual Vesting of EPS Award	ROACE Performance (20% of Award)	Actual Vesting of ROACE Award	Total % Vested
2013	57th percentile*	15.6%	8.83% growth*	17.7%	14%*	20%	53.3%

\*See TSR, EPS and ROACE tables above for details of performance metrics.

**NON-EXECUTIVE DIRECTORS' REMUNERATION PAID IN 2015**

Remuneration paid to Non-Executive Directors in 2015 is set out below:

	<b>Fees 2015 €</b>	Fees 2014 €
Michael Ahern	<b>43,000</b>	38,000
Hugh Brady	<b>78,000</b>	48,583
Denis Buckley	-	209,000
Sean Bugler	-	15,833
Paddy Casey	<b>43,000</b>	25,333
James Devane	<b>43,000</b>	38,000
Karin Dorrepaal	<b>69,666</b>	-
Michael Dowling	<b>230,000</b>	95,000
Joan Garahy	<b>93,000</b>	88,000
James C. Kenny	<b>97,000</b>	92,000
John Joseph O'Connor	<b>43,000</b>	38,000
Philip Toomey	<b>98,000</b>	93,000
Tom Moran	<b>16,167</b>	-
	<b>853,833</b>	780,749

Non-Executive Directors' remuneration consists of fees only. No payments are made to Non-Executive Directors for expenses, other than those incurred wholly and directly in the course of their appointments. There was one new appointment in 2015, with Tom Moran being appointed on 29 September 2015.

The following table shows the Executive Directors' and Company Secretary's interests under the LTIP. Conditional awards at 1 January 2015 relate to awards made in 2012, 2013 and 2014 which have a three year performance period. The 2012 awards vested in 2015. The 2013 awards will potentially vest in 2016 and 2014 awards will potentially vest in 2017. The market price of the shares on the date of each award is disclosed in note 28 to the financial statements.

**DIRECTORS' AND COMPANY SECRETARY'S INTERESTS IN LONG TERM INCENTIVE PLAN**

	<b>LTIP Scheme</b>	<b>Conditional Awards at 1 January 2015</b>	<b>Share Awards Vested During the Year</b>	<b>Share Option Awards Vested During the Year</b>	<b>Share Awards Relinquished During the Year</b>	<b>Conditional Awards Made During the Year</b>	<b>Conditional Awards at 31 December 2015</b>	<b>Share Price at Date of Conditional Award Made During Year</b>
<b>Directors</b>								
Stan McCarthy	- 2006 LTIP	48,917	<b>(26,090)</b>	-	<b>(2,300)</b>	-	<b>20,527</b>	
	- 2013 LTIP	57,872	-	-	-	<b>38,030</b>	<b>95,902</b>	<b>€64.92</b>
Brian Mehigan	- 2006 LTIP	22,967	-	<b>(12,172)</b>	<b>(1,073)</b>	-	<b>9,722</b>	
	- 2013 LTIP	27,578	-	-	-	<b>14,484</b>	<b>42,062</b>	<b>€64.92</b>
Flor Healy	- 2006 LTIP	24,494	-	<b>(12,982)</b>	<b>(1,144)</b>	-	<b>10,368</b>	
	- 2013 LTIP	29,411	-	-	-	<b>15,447</b>	<b>44,858</b>	<b>€64.92</b>
Gerry Behan	- 2006 LTIP	30,305	<b>(16,130)</b>	-	<b>(1,422)</b>	-	<b>12,753</b>	
	- 2013 LTIP	35,956	-	-	-	<b>23,859</b>	<b>59,815</b>	<b>€64.92</b>
<b>Company Secretary</b>								
Brian Durran	- 2006 LTIP	7,353	-	<b>(3,897)</b>	<b>(344)</b>	-	<b>3,112</b>	
	- 2013 LTIP	5,955	-	-	-	<b>3,567</b>	<b>9,522</b>	<b>€64.92</b>

Conditional awards made in 2015 have a three year performance period and will potentially vest in 2018. 50% of shares/share options which potentially vest under the 2013 LTIP, are issued immediately upon vesting. The remaining 50% of the award are issued to participants following a two year deferral period.

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

	Share Options Outstanding at 1 January 2015	Share Options Exercised During the Year	Share Options Vested During the Year	Share Options Outstanding at 31 December 2015	Exercise Price per Share
<b>Directors</b>					
Brian Mehigan	51,992	-	12,172	64,164	€0.125
Flor Healy	74,880	-	12,982	87,862	€0.125
<b>Company Secretary</b>					
Brian Durran	19,823	-	3,897	23,720	€0.125

Once vested, share options under the 2006 LTIP and 2013 LTIP can be exercised for up to seven years before they lapse.

## DIRECTORS' PENSIONS

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

	Accrued benefits on leaving service at end of year		Transfer value of increase in accumulated accrued benefits €'000
	Increase during year (excluding inflation) €'000	Accumulated total at end of year €'000	
<b>Stan McCarthy</b>	<b>22</b>	<b>914</b>	<b>210</b>
<b>Brian Mehigan<sup>1</sup></b>	<b>5</b>	<b>228</b>	<b>99</b>
<b>Flor Healy<sup>1</sup></b>	<b>5</b>	<b>254</b>	<b>104</b>
<b>Gerry Behan</b>	<b>12</b>	<b>397</b>	<b>27</b>
<b>2015</b>	<b>44</b>	<b>1,793</b>	<b>440</b>
2014	41	1,539	425

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

## PAYMENTS TO FORMER DIRECTORS

There were no payments made to former Directors in 2015 (2014: €nil).

## PAYMENTS FOR LOSS OF OFFICE

There were no payments for loss of office in 2015 (2014: €nil).

**DIRECTORS' AND COMPANY SECRETARY'S INTERESTS**

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

The interests of the Directors and the Company Secretary of the Company and their spouses and minor children in the share capital of the Company, all of which were beneficial unless otherwise indicated, as shown below:

	<b>31 December 2015 Ordinary Shares Number</b>	<b>31 December 2015 Share Options Number</b>	<b>31 December 2015 Total Number</b>	1 January 2015 Ordinary Shares Number	1 January 2015 Share Options Number	1 January 2015 Total Number
<b>Directors</b>						
Michael Ahern	<b>3,241</b>	-	<b>3,241</b>	3,241	-	3,241
Gerry Behan	<b>49,465</b>	-	<b>49,465</b>	47,335	-	47,335
- <i>Deferred</i>	<b>3,610</b>	-	<b>3,610</b>	2,277	-	2,277
Hugh Brady	-	-	-	-	-	-
Paddy Casey	<b>20,052</b>	-	<b>20,052</b>	20,052	-	20,052
James Devane	<b>4,994</b>	-	<b>4,994</b>	4,994	-	4,994
Karin Dorrepaal	-	-	-	-	-	-
Michael Dowling	<b>4,200</b>	-	<b>4,200</b>	4,200	-	4,200
Joan Garahy	<b>1,050</b>	-	<b>1,050</b>	1,050	-	1,050
Flor Healy	<b>58,210</b>	<b>87,862</b>	<b>146,072</b>	58,210	74,880	133,090
- <i>Deferred</i>	-	<b>2,187</b>	<b>2,187</b>	-	1,691	1,691
James C. Kenny	-	-	-	-	-	-
Stan McCarthy	<b>149,177</b>	-	<b>149,177</b>	137,087	-	137,087
- <i>Deferred</i>	<b>5,693</b>	-	<b>5,693</b>	3,037	-	3,037
Brian Mehigan	<b>40,334</b>	<b>64,164</b>	<b>104,498</b>	40,334	51,992	92,326
- <i>Deferred</i>	-	<b>2,491</b>	<b>2,491</b>	-	1,480	1,480
John Joseph O'Connor	<b>21,932</b>	-	<b>21,932</b>	21,932	-	21,932
Philip Toomey	<b>6,000</b>	-	<b>6,000</b>	1,000	-	1,000
<b>Company Secretary</b>						
Brian Durrán	<b>13,000</b>	<b>23,720</b>	<b>36,720</b>	13,000	19,823	32,823
- <i>Deferred</i>	-	<b>798</b>	<b>798</b>	-	474	474

The deferred shares and share options above, relate to 25% of the Executive Directors and Company Secretary's 2013 and 2014 STIP awards which are subject to a two year deferral period. These will be delivered in shares / share options in March 2016 and March 2017 respectively.

**SHAREHOLDING GUIDELINES**

The table below sets out the Executive Directors' shareholding at 31 December 2015 shown as a multiple of basic salary.

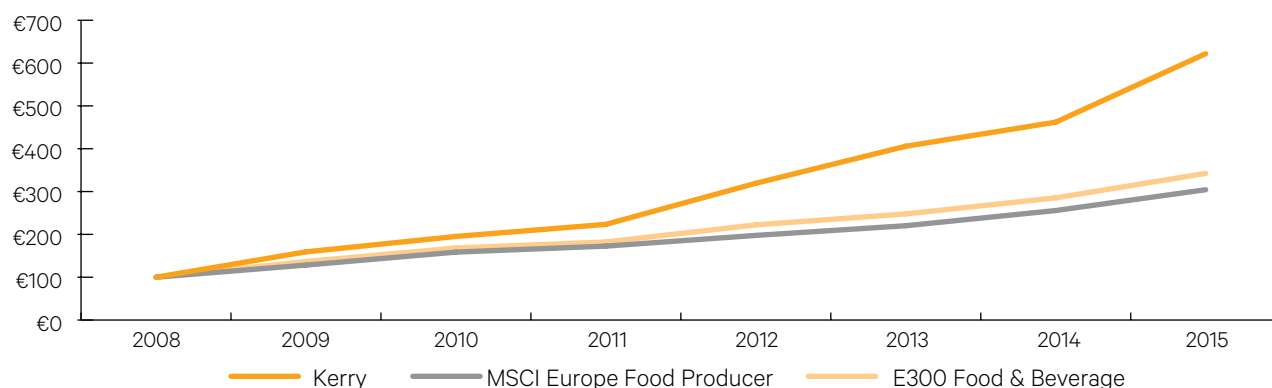
	<b>As a Multiple of Basic Salary<sup>1</sup></b>
Stan McCarthy	<b>9x</b>
Brian Mehigan	<b>15x</b>
Flor Healy	<b>20x</b>
Gerry Behan	<b>5x</b>

**Note 1:** The share price used to calculate the above is the share price as at 31 December 2015.

## TSR PERFORMANCE AND CHIEF EXECUTIVE OFFICER REMUNERATION

The graph below illustrates the TSR performance of the Group over the past seven years showing the increase in value of €100 invested in the Group's shares from 31 December 2008 to 31 December 2015. Also outlined in the table below, the remuneration of the Chief Executive Officer is calculated in line with the methodology captured under recent legislation which was enacted for UK incorporated companies.

### 7 YR TOTAL SHAREHOLDER RETURN (VALUE OF €100 INVESTED ON 31/12/2008)



Chief Executive Officer	2009 €'000	2010 €'000	2011 €'000	2012 €'000	2013 €'000	2014 €'000	2015 €'000
Total remuneration	1,751	2,116	3,283	3,538	3,592	3,283	4,161 <sup>3</sup>
Annual incentive achieved as a % of maximum	57%	90%	73%	74%	70%	57%	58%
LTIP achieved as a % of maximum	N/A <sup>1</sup>	N/A <sup>1</sup>	100%	100%	100%	91.9%	61.8% <sup>2</sup>

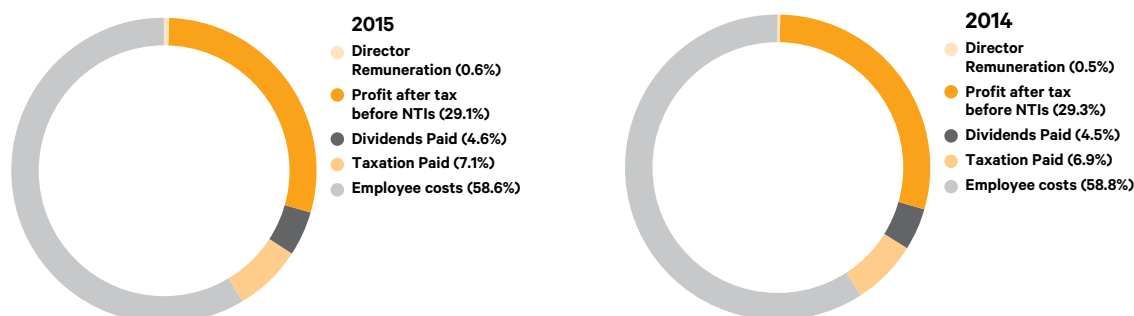
**Note 1:** There was no LTIP with a performance period ending in 2009 or 2010.

**Note 2:** This is the combined average 2015 LTIP paid out from the 2006 and 2013 plans.

**Note 3:** Reported numbers are impacted by the US dollar to euro exchange rate. Please refer to the Executive Director's remuneration table on page 91 for US dollar to euro remuneration details for 2014 and 2015.

### RELATIVE IMPORTANCE OF SPEND ON PAY

The total amount spent on Executive Director remuneration (including Long Term Incentive Plan) and overall employee pay is outlined below in relation to retained profit, dividends paid and taxation paid.



### STATEMENT ON SHAREHOLDER VOTING

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

	Votes For	Votes Against	Votes Withheld/ Abstained
Approve the Directors' Remuneration Report	96,635,217	1,489,171	386,561
	98%	1.5%	0.5%

The Committee appreciates the level of support shown by the shareholders for the remuneration report and is committed to continued consultation with shareholders with regard to the remuneration policy.

# Independent Auditors' Report to the Members of Kerry Group PLC

## **OPINION ON FINANCIAL STATEMENTS OF KERRY GROUP PLC**

In our opinion, the financial statements:

- give a true and fair view of the assets, liabilities and financial position of the Group and the company as at 31 December 2015 and of the Group's profit for the financial year then ended; and
- have been properly prepared in accordance with the relevant financial reporting framework and in particular, with the requirements of the Companies Act 2014 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

The financial statements comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated and Company Balance Sheets, the Consolidated and Company Statements of Changes in Equity, the Consolidated and Company Statements of Cash Flows and the related notes 1 to 37. The financial reporting framework that has been applied in the preparation of the Group and parent company financial statements is Irish law and IFRSs as adopted by the European Union.

## **SEPARATE OPINION IN RELATION TO IFRSS AS ISSUED BY THE IASB**

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

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

## **GOING CONCERN AND THE DIRECTORS' ASSESSMENT OF THE PRINCIPAL RISKS THAT WOULD THREATEN THE SOLVENCY OR LIQUIDITY OF THE GROUP**

As required by the Listing Rules we have reviewed the directors' statement contained within the Corporate Governance report on page 67 that the Group is a going concern.

We have nothing material to add or draw attention to in relation to:

- The directors' confirmation on page 72 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 on pages 56 to 60 that describe those risks and explain how they are being managed or mitigated;
- The directors' statement in note 1 to the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the Group's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements; and
- The director's explanation on page 73 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 agreed with the directors' adoption of the going concern basis of accounting and we did not identify any such material uncertainties. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.

## **OUR ASSESSMENT OF RISKS OF MATERIAL MISSTATEMENT**

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



Risk of material misstatement	Our audit response to the risk
<p><b>Carrying value of intangible assets and accounting for acquisitions</b></p> <p>The Group's goodwill and intangible assets of €3.4bn represent approximately 49% of the Group's total assets at year end. Management's assessment of the risk of impairment of the carrying value of goodwill and intangible assets requires judgement in relation to the identification of Cash Generating Units (CGUs) and the underlying assumptions in the Group's impairment model.</p> <p>During 2015 the Group completed 10 acquisitions at a cost of approximately €893m. Valuing the assets and liabilities acquired requires management judgement and estimation, particularly in relation to intangible assets which comprised a significant portion of the assets acquired by the Group.</p> <p><i>Refer also to page 75 (Audit Committee Report), page 113 (intangible assets accounting policy), page 116 (business combinations accounting policy) and notes 12 and 31 to the financial statements.</i></p>	<p>We assessed, using valuation specialists who are part of our audit team, the Group's impairment review methodology including the identification of CGUs. We challenged the underlying key assumptions within the Group's impairment model including discount rates, growth rates (including those used in the terminal value calculations) and cashflow projections.</p> <p>We challenged management's estimates and key assumptions used to value intangible assets acquired, including royalty and discount rates, with assistance from our valuation specialists.</p> <p>We evaluated management's sensitivity analysis and performed our own sensitivity analysis on the key assumptions used.</p> <p>We assessed whether the disclosures in relation to goodwill, intangibles and acquisitions were appropriate and met the requirements of accounting standards.</p>
<p><b>Taxation provisions</b></p> <p>The global nature of the Group's business means it is subject to taxation in numerous jurisdictions and cross-border transactions can be challenged by taxation authorities resulting in tax exposures. As a result, a significant level of management judgement and estimation is needed to determine the provision required for these exposures.</p> <p><i>Refer also to page 75 (Audit Committee Report) and page 118 (critical accounting estimates and judgements).</i></p>	<p>We obtained an understanding of the Group's tax strategy and management's process and critical accounting judgements made in the estimation of the Group's tax liabilities for exposures arising in jurisdictions where the Group has significant operations. Assisted by our tax specialists, who are part of our audit team, we challenged and evaluated management's assumptions and estimates in respect of open tax audits and other tax exposures, based on their interpretation of the relevant tax laws and likely outcomes in jurisdictions where the Group has significant trading operations and, where available, information on past tax settlements.</p>
<p><b>Retirement Benefits Obligation</b></p> <p>The Group operates a number of defined benefit schemes mainly in Ireland, the UK and North America. The deficit on these schemes is sensitive to changes in actuarial assumptions. A small change in an assumption could result in a significant change in the overall liability recorded.</p> <p><i>Refer also to page 75 (Audit Committee Report), page 115 (retirement benefits obligation accounting policy) and note 26 to the financial statements.</i></p>	<p>Our audit procedures included using Deloitte pension actuaries to assist us in evaluating the appropriateness of key assumptions including discount rates, inflation rates, pension and salary increases and mortality assumptions, used in determining the net retirement benefits obligation. Where possible, we compared these key assumptions to market benchmarks. Our greatest focus was on pension schemes in Ireland, the UK and North America which represent 89% of the overall retirement benefits obligation.</p> <p>We tested a sample of plan asset valuations and independently confirmed year end valuations. We assessed whether the disclosures in the financial statements were in accordance with accounting standards.</p>

The description of risks above should be read in conjunction with the significant issues considered by the Audit Committee set out on pages 75 to 77.

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

## OUR APPLICATION OF MATERIALITY

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

We determined materiality for the Group to be €38m (2014: €36m), which is approximately 6% (2014: 6%) of adjusted earnings before taxation, and below 2% (2014: below 2%) of Consolidated Shareholders' equity. We use adjusted earnings before taxation to exclude the effect of volatility (for example, separately disclosed adjusting items) from our determination. We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of €1.9m (2014: €1.8m) as well as differences below this threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

## AN OVERVIEW OF THE SCOPE OF OUR AUDIT

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risks of material misstatement at the Group level. Based on that assessment, we focused our Group audit scope primarily on the audit work in twenty nine components. Eighteen of these components were subject to full audit procedures, whilst the remaining eleven components were subject to specified audit procedures where the extent of our testing was based on our assessment of the risks of material misstatement and on the materiality of the Group's operations at those locations. These twenty nine components comprise the principal business units of the Group and account for over 90% of the Group's revenue and total assets. These components were also selected to provide an appropriate basis for undertaking audit work to address the risks of material misstatement identified above. Our audit work on all components, both significant and non-significant, was executed at levels of materiality applicable to each individual entity which were lower than Group materiality and ranged from €6m to €22m.

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

The Group audit team performed site visits and attended planning meetings at a number of significant component locations including Ireland, the UK, the US and Asia Pacific during the year and participated in audit meetings with other significant components and a number of non-significant components. The Group audit team directed the component audits by issuing detailed Group referral instructions, reviewing audit plans and risk assessment procedures of significant components and reviewing documentation of the findings of component auditors.

## OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2014

### Directors' Report and Corporate Governance Statement

In our opinion the information given in the Directors' Report is consistent with the financial statements and based on the work undertaken in the course of the audit the description in the Corporate Governance Statement of the main features of the internal control and risk management systems in relation to the financial reporting process and the information required under Regulation 21(2)(c), (d), (f), (h) and (i) of the European Communities (Takeover Bids (Directive 2004/25/EC)) Regulations 2006 (S.I. No. 255 of 2006) are consistent with the financial statements and have been prepared in accordance with section 1373 Companies Act 2014. Based on our knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in this information. In our opinion, the information required pursuant to section 1373(2)(a), (b), (e) and (f) Companies Act 2014 is contained in the company's corporate governance statement.

### Adequacy of explanations received and accounting records

- 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 financial statements to be readily and properly audited; and
- The parent company balance sheet is in agreement with the accounting records.

## MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

### Our duty to read other information in the Annual Report

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

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

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

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### Directors' remuneration

Under the Listing Rules of the Irish Stock Exchange we are required to review the six specified elements of disclosures in the report to shareholders by the board on directors' remuneration. Under the Companies Act 2014 we are required to report to you if, in our opinion, the disclosures of directors' remuneration and transactions specified by law are not made. We have nothing to report arising from our review of these matters.

### Corporate Governance Statement

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

### Marguerite Larkin

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

Date: 22 February 2016

## RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view and otherwise comply with the Companies Act 2014. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report is made solely to the company's members, as a body, in accordance with section 391 of the Companies Act 2014. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

## SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

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

# Consolidated Income Statement

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

		Before Non-Trading Items 2015 €'m	Non-Trading Items 2015 €'m	Total 2015 €'m	Before Non-Trading Items 2014 €'m	Non-Trading Items 2014 €'m	Total 2014 €'m
	Notes						
Continuing operations							
<b>Revenue</b>	2	<b>6,104.9</b>	<b>-</b>	<b>6,104.9</b>	5,756.6	-	5,756.6
<b>Trading profit</b>	2/3	<b>700.1</b>	<b>-</b>	<b>700.1</b>	636.4	-	636.4
Intangible asset amortisation	12	(37.4)	-	(37.4)	(28.0)	-	(28.0)
Non-trading items	5	-	9.4	9.4	-	0.1	0.1
<b>Operating profit</b>	3	<b>662.7</b>	<b>9.4</b>	<b>672.1</b>	608.4	0.1	608.5
Finance income	6	1.8	-	1.8	1.1	-	1.1
Finance costs	6	(71.1)	-	(71.1)	(54.0)	-	(54.0)
<b>Profit before taxation</b>		<b>593.4</b>	<b>9.4</b>	<b>602.8</b>	555.5	0.1	555.6
Income taxes	7	(81.1)	3.7	(77.4)	(79.6)	3.9	(75.7)
<b>Profit after taxation and attributable to owners of the parent</b>		<b>512.3</b>	<b>13.1</b>	<b>525.4</b>	475.9	4.0	479.9
<b>Earnings per A ordinary share</b>				<b>Cent</b>			<b>Cent</b>
- basic	9			<b>298.7</b>			273.0
- diluted	9			<b>298.4</b>			272.7

# Consolidated Statement of Comprehensive Income

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

	Notes	2015 €'m	2014 €'m
Profit after taxation and attributable to owners of the parent		<b>525.4</b>	479.9
<b>Other comprehensive income:</b>			
<b>Items that are or may be reclassified subsequently to profit or loss:</b>			
Fair value movements on cash flow hedges		<b>10.3</b>	(8.3)
Cash flow hedges - reclassified to profit or loss from equity	24	<b>2.9</b>	3.0
Deferred tax effect of fair value movements on cash flow hedges	17	<b>(1.4)</b>	4.2
Exchange difference on translation and disposal of foreign operations	30	<b>(25.5)</b>	68.3
Deferred tax effect of exchange difference on translation of foreign operations	17	<b>(0.3)</b>	0.7
<b>Items that will not be reclassified subsequently to profit or loss:</b>			
Re-measurement on retirement benefits obligation	26	<b>141.1</b>	(246.1)
Deferred tax effect of re-measurement on retirement benefits obligation	17	<b>(25.2)</b>	30.5
<b>Net income/(expense) recognised directly in other comprehensive income</b>		<b>101.9</b>	(147.7)
<b>Total comprehensive income</b>		<b>627.3</b>	332.2

# Consolidated Balance Sheet

AS AT 31 DECEMBER 2015

	Notes	31 December 2015 €'m	31 December 2014 €'m
<b>Non-current assets</b>			
Property, plant and equipment	11	1,431.5	1,283.4
Intangible assets	12	3,449.3	2,629.0
Financial asset investments	13	34.0	27.9
Investment in associate	14	38.9	40.2
Non-current financial instruments	23	174.4	104.7
Deferred tax assets	17	43.2	55.8
		<b>5,171.3</b>	4,141.0
<b>Current assets</b>			
Inventories	16	734.2	702.0
Trade and other receivables	19	833.9	801.1
Cash at bank and in hand	23	236.4	283.7
Other current financial instruments	23	15.7	9.4
Assets classified as held for sale	18	21.5	30.6
		<b>1,841.7</b>	1,826.8
<b>Total assets</b>		<b>7,013.0</b>	5,967.8
<b>Current liabilities</b>			
Trade and other payables	20	1,285.8	1,194.1
Borrowings and overdrafts	23	38.4	303.1
Other current financial instruments	23	25.1	21.8
Tax liabilities		94.1	62.4
Provisions	25	31.7	49.8
Deferred income	21	2.7	2.5
		<b>1,477.8</b>	1,633.7
<b>Non-current liabilities</b>			
Borrowings	23	2,011.5	1,270.6
Other non-current financial instruments	23	6.5	8.4
Retirement benefits obligation	26	305.7	472.8
Other non-current liabilities	22	93.9	76.8
Deferred tax liabilities	17	243.8	191.1
Provisions	25	59.1	55.7
Deferred income	21	24.6	23.1
		<b>2,745.1</b>	2,098.5
<b>Total liabilities</b>		<b>4,222.9</b>	3,732.2
<b>Net assets</b>		<b>2,790.1</b>	2,235.6
<b>Issued capital and reserves attributable to owners of the parent</b>			
Share capital	27	22.0	22.0
Share premium		398.7	398.7
Other reserves		(103.9)	(100.6)
Retained earnings		2,473.3	1,915.5
<b>Shareholders' equity</b>		<b>2,790.1</b>	2,235.6

The financial statements were approved by the Board of Directors on 22 February 2016 and signed on its behalf by:  
Michael Dowling, Chairman Stan McCarthy, Chief Executive Officer



## Company Balance Sheet

AS AT 31 DECEMBER 2015

	Notes	2015 €'m	2014 €'m
<b>Non-current assets</b>			
Property, plant and equipment	11	0.8	0.9
Investment in subsidiaries	15	637.7	637.7
		<b>638.5</b>	638.6
<b>Current assets</b>			
Cash at bank and in hand	23	0.1	-
Trade and other receivables	19	63.3	1.6
		<b>63.4</b>	1.6
<b>Total assets</b>		<b>701.9</b>	640.2
<b>Current liabilities</b>			
Trade and other payables	20	9.3	45.3
Borrowings and overdrafts	23	0.7	0.7
		<b>10.0</b>	46.0
<b>Non-current liabilities</b>			
Other non-current liabilities	22	-	57.5
Deferred income	21	0.1	0.1
		<b>0.1</b>	57.6
<b>Total liabilities</b>		<b>10.1</b>	103.6
<b>Net assets</b>		<b>691.8</b>	536.6
<b>Issued capital and reserves</b>			
Share capital	27	22.0	22.0
Share premium		398.7	398.7
Other reserves		32.5	23.5
Retained earnings		238.6	92.4
<b>Shareholders' equity</b>		<b>691.8</b>	536.6

The financial statements were approved by the Board of Directors on 22 February 2016 and signed on its behalf by:

Michael Dowling, Chairman	Stan McCarthy, Chief Executive Officer
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# Consolidated Statement of Changes in Equity

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

	Notes	Share Capital €'m	Share Premium €'m	Other Reserves €'m	Retained Earnings €'m	Total €'m
<b>Group:</b>						
At 1 January 2014		22.0	398.7	(172.5)	1,719.3	1,967.5
Total comprehensive income		-	-	63.0	269.2	332.2
Dividends paid	10	-	-	-	(73.0)	(73.0)
Share-based payment expense	28	-	-	8.9	-	8.9
At 31 December 2014		22.0	398.7	(100.6)	1,915.5	2,235.6
Total comprehensive (expense)/income		-	-	(12.3)	639.6	627.3
Dividends paid	10	-	-	-	(81.8)	(81.8)
Share-based payment expense	28	-	-	9.0	-	9.0
<b>At 31 December 2015</b>		<b>22.0</b>	<b>398.7</b>	<b>(103.9)</b>	<b>2,473.3</b>	<b>2,790.1</b>

**Other Reserves comprise the following:**

	Notes	Capital Redemption Reserve €'m	Other Undenominated Capital €'m	Share-Based Payment Reserve €'m	Translation Reserve €'m	Hedging Reserve €'m	Total €'m
At 1 January 2014		1.7	0.3	12.6	(171.9)	(15.2)	(172.5)
Total comprehensive income/(expense)		-	-	-	68.3	(5.3)	63.0
Share-based payment expense	28	-	-	8.9	-	-	8.9
At 31 December 2014		1.7	0.3	21.5	(103.6)	(20.5)	(100.6)
Total comprehensive (expense)/income		-	-	-	(25.5)	13.2	(12.3)
Share-based payment expense	28	-	-	9.0	-	-	9.0
<b>At 31 December 2015</b>		<b>1.7</b>	<b>0.3</b>	<b>30.5</b>	<b>(129.1)</b>	<b>(7.3)</b>	<b>(103.9)</b>

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

# Company Statement of Changes in Equity

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

	Notes	Share Capital €'m	Share Premium €'m	Other Reserves €'m	Retained Earnings €'m	Total €'m
<b>Company:</b>						
At 1 January 2014		22.0	398.7	14.6	95.5	530.8
Total comprehensive income	8	-	-	-	69.9	69.9
Dividends paid	10	-	-	-	(73.0)	(73.0)
Share-based payment expense	28	-	-	8.9	-	8.9
At 31 December 2014		22.0	398.7	23.5	92.4	536.6
Total comprehensive income	8	-	-	-	<b>228.0</b>	<b>228.0</b>
Dividends paid	10	-	-	-	<b>(81.8)</b>	<b>(81.8)</b>
Share-based payment expense	28	-	-	<b>9.0</b>	-	<b>9.0</b>
<b>At 31 December 2015</b>		<b>22.0</b>	<b>398.7</b>	<b>32.5</b>	<b>238.6</b>	<b>691.8</b>

## Other Reserves comprise the following:

	Notes	Capital Redemption Reserve €'m	Other Undenominated Capital €'m	Share-Based Payment Reserve €'m	Total €'m
At 1 January 2014		1.7	0.3	12.6	14.6
Share-based payment expense	28	-	-	8.9	8.9
At 31 December 2014		1.7	0.3	21.5	23.5
Share-based payment expense	28	-	-	<b>9.0</b>	<b>9.0</b>
<b>At 31 December 2015</b>		<b>1.7</b>	<b>0.3</b>	<b>30.5</b>	<b>32.5</b>

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

# Consolidated Statement of Cash Flows

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

	Notes	2015 €'m	2014 €'m
<b>Operating activities</b>			
Trading profit	29	<b>700.1</b>	636.4
<i>Adjustments for:</i>			
Depreciation (net)	3	<b>125.9</b>	103.5
Change in working capital	29	<b>64.8</b>	(79.3)
Pension contributions paid less pension expense		<b>(57.5)</b>	(48.0)
Payments on acquisition integration and restructuring costs		<b>(26.4)</b>	(74.5)
Exchange translation adjustment	30	<b>(0.7)</b>	3.3
<b>Cash generated from operations</b>		<b>806.2</b>	541.4
Income taxes paid		<b>(38.3)</b>	(30.6)
Finance income received		<b>1.8</b>	1.1
Finance costs paid		<b>(48.4)</b>	(42.9)
<b>Net cash from operating activities</b>		<b>721.3</b>	469.0
<b>Investing activities</b>			
Purchase of assets	29	<b>(252.2)</b>	(274.1)
Proceeds from the sale of assets		<b>12.7</b>	15.9
Capital grants received		<b>10.1</b>	0.8
Purchase of businesses (net of cash acquired)	31	<b>(888.1)</b>	(133.5)
Disposal of businesses (net of related tax)		<b>115.7</b>	(13.4)
Payments relating to previous acquisitions		<b>(0.8)</b>	(9.6)
<b>Net cash used in investing activities</b>		<b>(1,002.6)</b>	(413.9)
<b>Financing activities</b>			
Dividends paid	10	<b>(81.8)</b>	(73.0)
Issue of share capital	27	<b>-</b>	-
Repayment of long term borrowings		<b>(1,273.8)</b>	(13.4)
Net increase in other borrowings		<b>1,589.5</b>	55.8
<b>Net cash movement due to financing activities</b>		<b>233.9</b>	(30.6)
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(47.4)</b>	24.5
Cash and cash equivalents at beginning of the financial year		278.1	245.8
Exchange translation adjustment on cash and cash equivalents	30	<b>0.5</b>	7.8
<b>Cash and cash equivalents at end of the financial year</b>	29	<b>231.2</b>	278.1
<b>Reconciliation of Net Cash Flow to Movement in Net Debt</b>			
Net (decrease)/increase in cash and cash equivalents		<b>(47.4)</b>	24.5
Cash inflow from debt financing		<b>(315.7)</b>	(42.4)
Changes in net debt resulting from cash flows		<b>(363.1)</b>	(17.9)
Fair value movement on interest rate swaps (net of adjustment to borrowings)		<b>0.2</b>	(5.5)
Exchange translation adjustment on net debt	30	<b>(91.9)</b>	(88.8)
Movement in net debt in the financial year		<b>(454.8)</b>	(112.2)
Net debt at beginning of the financial year		(1,195.3)	(1,083.1)
<b>Net debt at end of the financial year</b>	23	<b>(1,650.1)</b>	(1,195.3)

# Company Statement of Cash Flows

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

	Notes	2015 €'m	2014 €'m
<b>Operating activities</b>			
Trading profit	29	<b>226.2</b>	68.4
<i>Adjustments for:</i>			
Depreciation	11/21	<b>0.1</b>	0.2
Change in working capital	29	<b>(144.4)</b>	4.0
<b>Net cash from operating activities</b>		<b>81.9</b>	72.6
<b>Financing activities</b>			
Dividends paid	10	<b>(81.8)</b>	(73.0)
Issue of share capital	27	-	-
<b>Net cash movement due to financing activities</b>		<b>(81.8)</b>	(73.0)
<b>Net increase/(decrease) in cash and cash equivalents</b>	23	<b>0.1</b>	(0.4)
Cash and cash equivalents at beginning of the financial year		(0.7)	(0.3)
<b>Cash and cash equivalents at end of the financial year</b>	29	<b>(0.6)</b>	(0.7)

# Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

## 1. STATEMENT OF ACCOUNTING POLICIES

### General information

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

### 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. Both the Parent Company and Group financial statements have also been prepared in accordance with IFRSs adopted by the European Union ('EU') which comprise standards and interpretations approved by the International Accounting Standards Board ('IASB'). The Group financial statements comply with Article 4 of the EU IAS Regulation. IFRS adopted by the EU differs in certain respects from IFRS issued by the IASB. References to IFRS hereafter refer to IFRS adopted by the EU.

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

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

The consolidated financial statements have been prepared on a going concern basis and further details can be found on page 72 of the Corporate Governance Report.

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.

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. Please refer to page 173 for definitions.

In the 2015 consolidated financial statements, the Group has re-presented corresponding 2014 balances to align with current year presentation. Cumulative exchange difference on translation recycled on disposal has been re-presented as a separate line item in effect of exchange translation adjustments (note 30). The net movement on borrowings has been re-presented as repayment of long term borrowings and net increase in other borrowings in the Consolidated Statement of Cash Flows and the net movement on borrowings has been removed from cash flow components (note 29). These changes in presentation do not impact on the classification of any line items on the Group's or Company Balance Sheet.

### 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, is exposed 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 associate's post-acquisition profits or losses is recognised in 'Share of associate loss (after tax)' 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.

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



## 1. STATEMENT OF ACCOUNTING POLICIES (continued)

### Revenue

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

### Segmental analysis

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

During the financial year, the Group renamed its Ingredients & Flavours operating segment to Taste & Nutrition. This did not result in a change in the composition of the Group's reportable segments.

The Group has two operating segments: Taste & Nutrition and Consumer Foods. The Taste & Nutrition operating segment manufactures and distributes application specific ingredients and flavours spanning a number of technology platforms while the Consumer Foods segment manufactures and supplies added value brands and customer branded foods primarily to the Irish and UK markets. 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'. Inter-segment pricing is determined on an arm's length basis. There are no material dependencies or concentrations on individual customers which would warrant disclosure under IFRS 8 'Operating Segments'.

### Property, plant and equipment

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

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

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

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

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

### Assets classified as held for sale

Assets are classified as held for sale if their carrying value will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met if 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

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

**1. STATEMENT OF ACCOUNTING POLICIES** (continued)**Intangible assets** (continued)*(ii) Brand related intangibles*

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

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

*(iii) Computer software*

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

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

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

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

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

**Impairment of non-financial assets**

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation. They are tested annually in the last quarter of the financial year or when indications exist that the asset may be impaired. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGU) which is by region within operating segment. An impairment loss is recognised immediately in the Consolidated Income Statement for the amount by which the asset's carrying value exceeds its recoverable amount.

The recoverable amount is the higher of an asset's fair value less costs to sell or its value in use. Value in use is determined as the discounted future cash flows of the CGU. The key assumptions for the value in use calculations are discount rates, cash flows and growth rates during the financial year.

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

**Inventories**

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

**Income taxes**

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

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

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

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

## 1. STATEMENT OF ACCOUNTING POLICIES (continued)

### Income taxes (continued)

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

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

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

### Retirement benefits obligation

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

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

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

### Research and development expenditure

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

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

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

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

### Grants

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

### Dividends

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

### Operating leases

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

### Share-based payments

The Group has granted share-based payments to 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.

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

**1. STATEMENT OF ACCOUNTING POLICIES (continued)****Share-based payments (continued)**

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.

**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.

**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.

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

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

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

## 1. STATEMENT OF ACCOUNTING POLICIES (continued)

### Financial instruments (continued)

#### (i) Available-for-sale financial assets

Group financial asset investments are classified as available-for-sale as they are non-derivative assets and are not designated at FVTPL on initial recognition. Available-for-sale investments are stated at their fair value at the balance sheet date. Movements in fair value are recorded in other comprehensive income until the asset is disposed of unless there is deemed to be an impairment on the original cost, in which case the loss is taken directly to the Consolidated Income Statement. Upon disposal, the fair value movement in other comprehensive income is transferred to the Consolidated Income Statement.

Quoted market prices are used to determine the fair value of listed shares where there is an active market. Where there is not an active market, a 'sum-of-the-parts' valuation model is used to determine the fair value of shares. A market is deemed not to be active when a low level of trading exists and willing buyers and sellers are not readily available. The 'sum-of-the-parts' valuation separates the available-for-sale investments into the operating segments and uses industry analysis and the market valuations of peer companies in the relevant segments to arrive at a combined valuation for the investments.

#### (ii) Loans and receivables

Loans and receivables consist primarily of trade and other receivables and cash and cash equivalents.

Trade and other receivables that have fixed or determinable payments that are not quoted in an active market are stated at amortised cost, which approximates fair value given the short term nature of these assets which are neither past due more than 3 months or impaired. An allowance for doubtful trade receivables is created based on incurred loss experience or where there is objective evidence that amounts are irrecoverable. Movements in this allowance are recorded in 'other external charges' which is included within Trading Profit in the Consolidated Income Statement.

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

#### (iii) Financial assets at fair value through profit or loss (FVTPL)

Financial assets are classified as FVTPL when the financial assets are either held for trading or they are designated upon initial recognition as FVTPL.

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

#### (iv) Held to maturity investments

The Group currently does not have any held to maturity investments.

(v) 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.

#### (vi) Financial liabilities at fair value through profit or loss (FVTPL)

Financial liabilities at FVTPL arise when the financial liabilities are either held for trading or they are designated upon initial recognition as FVTPL.

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

#### Impairment of financial assets

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

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

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

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

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

#### Derecognition of financial liabilities

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

**1. STATEMENT OF ACCOUNTING POLICIES (continued)****Financial Instruments (continued)***Derivative financial instruments and hedge accounting*

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

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

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

*Fair value of financial instrument derivatives*

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

*Cash flow hedges*

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

If a hedge is no longer effective or a hedging relationship ceases to exist, hedge accounting is discontinued prospectively and any cumulative gain or loss on the instrument previously recognised in other comprehensive income is retained in other comprehensive income until the forecasted transaction occurs, at which time it is released to the Consolidated Income Statement. If the hedged transaction is no longer expected to occur, the net cumulative gain or loss in other comprehensive income is transferred to the Consolidated Income Statement immediately.

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

*Fair value hedges*

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

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

*Trading derivatives*

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

**Critical accounting estimates and judgements**

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

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

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



## 1. STATEMENT OF ACCOUNTING POLICIES (continued)

### Impairment of goodwill and intangible assets

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

### Income taxes and deferred tax assets and liabilities

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

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

'Income taxes' and 'Deferred tax assets and liabilities' are disclosed in notes 7 and 17 to these consolidated financial statements, respectively.

### Non-trading items

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

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

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

### Retirement benefits obligation

The estimation of and accounting for retirement benefits obligation involves judgements made in conjunction with independent actuaries. These involve estimates about uncertain future events based on the environment in different countries, including life expectancy of scheme members, future salary and pension increases and inflation as well as discount rates. The assumptions used by the Group and a sensitivity analysis of a change in these assumptions are described in note 26.

### Business combinations

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

Acquisitions may also result in intangible benefits being brought into the Group, some of which qualify for recognition as intangible assets while other such benefits do not meet the recognition requirements of IFRS and therefore form part of goodwill. Judgement is required in the assessment and valuation of these intangible assets. 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 are disclosed in note 31 to these consolidated financial statements.

### Provisions

The amounts recognised as a provision are management's best estimate of the expenditure required to settle present obligations at the balance sheet date. The outcome depends on future events which are by their nature uncertain. In assessing the likely outcome, management bases its assessment on historical experience and other factors that are believed to be reasonable in the circumstances. Provisions are disclosed in note 25 to these consolidated financial statements.

### Other areas

Other areas where accounting estimates and judgements are required, though the impact on the consolidated financial statements is not considered as significant as those mentioned above, are property, plant and equipment (note 11), intangible assets (note 12), financial assets investments (note 13), investment in associates (note 14), assets classified as held for sale (note 18), rebates included in trade and other receivables (note 19) and financial instruments (notes 23 and 24).

**1. STATEMENT OF ACCOUNTING POLICIES** (continued)**New standards and interpretations**

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

<b>Standards and Interpretations effective for Kerry Group in 2015 but not material to the results and financial position of the Group:</b>		<b>Effective Date</b>
-	IFRS 1 (amendment) First-time adoption of International Financial Reporting Standards	1 July 2014
-	IFRS 2 (amendment) Share-based Payment	1 July 2014
-	IFRS 3 (amendments) Business Combinations	1 July 2014
-	IFRS 8 (amendment) Operating Segments	1 July 2014
-	IFRS 13 (amendments) Fair Value Measurement	1 July 2014
-	IAS 16 (amendment) Property, Plant and Equipment	1 July 2014
-	IAS 19 (amendment) Employee Benefits	1 July 2014
-	IAS 24 (amendment) Related Party Disclosures	1 July 2014
-	IAS 38 (amendment) Intangible Assets	1 July 2014
-	IAS 40 (amendment) Investment Property	1 July 2014

<b>Standards and Interpretations which are not yet effective for Kerry Group and are not expected to have a material effect on the results or the financial position of the Group:</b>		<b>Effective Date</b>
-	IFRS 5 (amendment) Non-current Assets Held for Sale and Discontinued Operations	1 January 2016
-	IFRS 7 (amendment) Financial Instruments: Disclosures	1 January 2016
-	IFRS 10 (amendments) Consolidated Financial Statements	1 January 2016
-	IFRS 11 (amendment) Joint Arrangements	1 January 2016
-	IFRS 12 (amendment) Disclosure of Interests in Other Entities	1 January 2016
-	IFRS 14 Regulatory Deferral Accounts	1 January 2016
-	IAS 1 (amendment) Presentation of Financial Statements	1 January 2016
-	IAS 7 (amendments) Statement of cash flows	1 January 2017
-	IAS 12 (amendments) Income taxes	1 January 2017
-	IAS 16 (amendments) Property, Plant and Equipment	1 January 2016
-	IAS 19 (amendment) Employee Benefits	1 January 2016
-	IAS 27 (amendment) Consolidated and Separate Financial Statements	1 January 2016
-	IAS 28 (amendments) Investments in Associates	1 January 2016
-	IAS 34 (amendment) Interim Financial Reporting	1 January 2016
-	IAS 38 (amendment) Intangible Assets	1 January 2016
-	IAS 41 (amendment) Agriculture	1 January 2016

# 1. STATEMENT OF ACCOUNTING POLICIES (continued)

## New standards and interpretations (continued)

*The following revised standards are not yet effective and the impact on Kerry Group is currently under review:*

**Effective Date**

-	IFRS 9	Financial Instruments IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 'Financial Instruments: Recognition and Measurement'. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 9.	1 January 2018
-	IFRS 15	Revenue from Contracts with Customers IFRS 15 was issued to establish a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 15.	1 January 2018
-	IFRS 16	Leases IFRS 16, published in January 2016, replaces the existing guidance in IAS 17 'Leases'. IFRS 16 eliminates the classification of leases as either operating leases or finance leases. 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 and depreciation of lease assets separately from interest on lease liabilities in the income statement. The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 16.	1 January 2019

## 2. ANALYSIS OF RESULTS

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

	Taste & Nutrition 2015 €'m	Consumer Foods 2015 €'m	Group Eliminations and Unallocated 2015 €'m	Total 2015 €'m	Taste & Nutrition 2014 €'m	Consumer Foods 2014 €'m	Group Eliminations and Unallocated 2014 €'m	Total 2014 €'m
External revenue	4,637.5	1,467.4	-	6,104.9	4,257.1	1,499.5	-	5,756.6
Inter-segment revenue	78.4	8.3	(86.7)	-	79.8	9.8	(89.6)	-
<b>Revenue</b>	<b>4,715.9</b>	<b>1,475.7</b>	<b>(86.7)</b>	<b>6,104.9</b>	<b>4,336.9</b>	<b>1,509.3</b>	<b>(89.6)</b>	<b>5,756.6</b>
<b>Trading profit</b>	<b>662.9</b>	<b>125.7</b>	<b>(88.5)</b>	<b>700.1</b>	<b>592.5</b>	<b>125.4</b>	<b>(81.5)</b>	<b>636.4</b>
Intangible asset amortisation				(37.4)				(28.0)
Non-trading items				9.4				0.1
<b>Operating profit</b>				<b>672.1</b>				<b>608.5</b>
Finance income				1.8				1.1
Finance costs				(71.1)				(54.0)
<b>Profit before taxation</b>				<b>602.8</b>				<b>555.6</b>
Income taxes				(77.4)				(75.7)
<b>Profit after taxation and attributable to owners of the parent</b>				<b>525.4</b>				<b>479.9</b>
<b>Segment assets and liabilities</b>								
Segment assets	4,374.1	984.1	1,654.8	7,013.0	3,814.8	925.1	1,227.9	5,967.8
Segment liabilities	(1,049.2)	(436.0)	(2,737.7)	(4,222.9)	(909.0)	(507.7)	(2,315.5)	(3,732.2)
<b>Net assets</b>	<b>3,324.9</b>	<b>548.1</b>	<b>(1,082.9)</b>	<b>2,790.1</b>	<b>2,905.8</b>	<b>417.4</b>	<b>(1,087.6)</b>	<b>2,235.6</b>
<b>Other segmental information</b>								
Property, plant and equipment additions	176.0	36.7	3.7	216.4	209.8	15.5	4.5	229.8
Depreciation (net)	104.0	17.7	4.3	126.0	83.7	16.4	3.4	103.5
Intangible asset additions	1.0	0.6	30.0	31.6	1.4	-	34.2	35.6
Intangible asset amortisation	14.0	6.0	17.4	37.4	9.5	5.7	12.8	28.0

### Information about geographical areas

	EMEA 2015 €'m	Americas 2015 €'m	Asia Pacific 2015 €'m	Total 2015 €'m	EMEA 2014 €'m	Americas 2014 €'m	Asia Pacific 2014 €'m	Total 2014 €'m
Revenue by location of external customers	3,013.3	2,307.9	783.7	6,104.9	3,048.7	1,901.2	806.7	5,756.6
Segment assets by location	4,282.1	2,234.9	496.0	7,013.0	3,601.4	1,770.3	596.1	5,967.8
Property, plant and equipment additions	109.1	66.7	40.6	216.4	138.8	53.1	37.9	229.8
Intangible asset additions	30.9	0.6	0.1	31.6	34.3	1.3	-	35.6

## 2. ANALYSIS OF RESULTS (continued)

### Information about geographical areas (continued)

Kerry Group plc is domiciled in the Republic of Ireland and the revenues from external customers in the Republic of Ireland were **€455.0m** (2014: €505.4m). The non-current assets located in the Republic of Ireland are **€931.9m** (2014: €905.5m).

Revenues from external customers include **€1,710.5m** (2014: €1,686.2m) in the UK and **€1,789.2m** (2014: €1,491.4m) in the US. The non-current assets in the UK are **€786.7m** (2014: €715.1m) and in the US are **€1,327.4m** (2014: €991.8m). The Taste & Nutrition and Consumer Foods business reviews, on pages 28 and 34 respectively, provides a description of the types of products from which these segments derive their revenues. During the financial year, the Group renamed its Ingredients & Flavours operating segment to Taste & Nutrition. This did not result in a change in the composition of the Group's reportable 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.

## 3. OPERATING PROFIT

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

	Notes	Continuing Operations 2015 €'m	Continuing Operations 2014 €'m
<b>Revenue</b>		<b>6,104.9</b>	5,756.6
<i>Less operating costs:</i>			
Raw materials and consumables		<b>3,303.7</b>	3,211.1
Other external charges		<b>487.9</b>	473.7
Staff costs		<b>1,108.8</b>	1,032.2
Depreciation (including impairment)	11	<b>128.4</b>	105.8
Capital grants amortisation	21	<b>(2.5)</b>	(2.3)
Other operating charges		<b>355.5</b>	308.3
Foreign exchange losses		<b>40.4</b>	7.5
Change in inventories of finished goods		<b>(18.7)</b>	(16.3)
Share of associate loss (after tax)	14	<b>1.3</b>	0.2
<b>Trading profit</b>		<b>700.1</b>	636.4
Intangible asset amortisation	12	<b>37.4</b>	28.0
Non-trading items	5	<b>(9.4)</b>	(0.1)
<b>Operating profit</b>		<b>672.1</b>	608.5
<i>And is stated after charging:</i>			
Research and development costs		<b>234.2</b>	196.8

**3. OPERATING PROFIT** (continued)**Auditors' remuneration**

	Deloitte Ireland 2015 €'m	Deloitte Other 2015 €'m	Deloitte Worldwide 2015 €'m	Deloitte Ireland 2014 €'m	Deloitte Other 2014 €'m	Deloitte Worldwide 2014 €'m
<i>Statutory disclosure:</i>						
Group audit	1.5	1.8	3.3	1.3	1.8	3.1
Other assurance services	0.3	0.4	0.7	0.1	0.5	0.6
<b>Total assurance services</b>	<b>1.8</b>	<b>2.2</b>	<b>4.0</b>	<b>1.4</b>	<b>2.3</b>	<b>3.7</b>
Tax advisory services	0.7	1.6	2.3	0.4	1.9	2.3
Other non-audit services	0.4	-	0.4	0.1	-	0.1
<b>Total non-audit services</b>	<b>1.1</b>	<b>1.6</b>	<b>2.7</b>	<b>0.5</b>	<b>1.9</b>	<b>2.4</b>
<b>Total auditors' remuneration</b>	<b>2.9</b>	<b>3.8</b>	<b>6.7</b>	<b>1.9</b>	<b>4.2</b>	<b>6.1</b>
Assurance services			60%			61%
Non-audit services			40%			39%
<b>Total</b>			<b>100%</b>			<b>100%</b>

Group audit consists of fees payable for the consolidated and statutory audits of the Group and its subsidiaries. Included in Group audit are total fees of **€7,000** (2014: €7,000) which were paid to the Group's auditor in respect of the Parent Company. Reimbursement of auditors' expenses amounted to **€0.2m** (2014: €0.2m).

**4. TOTAL STAFF NUMBERS AND COSTS**

The average number of people employed by the Group was:

	Taste & Nutrition 2015 Number	Consumer Foods 2015 Number	Total 2015 Number	Taste & Nutrition 2014 Number	Consumer Foods 2014 Number	Total 2014 Number
EMEA	5,905	7,252	13,157	5,127	8,781	13,908
Americas	6,613	-	6,613	6,363	-	6,363
Asia Pacific	3,453	-	3,453	3,496	-	3,496
	<b>15,971</b>	<b>7,252</b>	<b>23,223</b>	<b>14,986</b>	<b>8,781</b>	<b>23,767</b>

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

	Taste & Nutrition 2015 €'m	Consumer Foods 2015 €'m	Total 2015 €'m	Taste & Nutrition 2014 €'m	Consumer Foods 2014 €'m	Total 2014 €'m
EMEA	313.9	293.6	607.5	284.3	322.7	607.0
Americas	405.8	-	405.8	322.7	-	322.7
Asia Pacific	103.9	-	103.9	110.0	-	110.0
	<b>823.6</b>	<b>293.6</b>	<b>1,117.2</b>	<b>717.0</b>	<b>322.7</b>	<b>1,039.7</b>

Social welfare costs of **€86.6m** (2014: €82.2m) and share-based payment expense of **€9.0m** (2014: €8.9m) 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 **€8.4m** (2014: €7.5m) which has been capitalised as part of computer software in intangible assets.



## 5. NON-TRADING ITEMS

	Notes	2015 €'m	2014 €'m
Profit/(loss) on disposal of businesses and assets	(i)	22.5	0.1
Acquisition integration and restructuring costs	(ii)	(7.8)	-
Impairment of assets held for sale	(iii)	(5.3)	-
		9.4	0.1
Tax	7	3.7	3.9
		13.1	4.0

### (i) Profit/(loss) on disposal of businesses and assets

	Notes	Businesses 2015 €'m	*Assets 2015 €'m	Total 2015 €'m
<b>Assets</b>				
Property, plant and equipment	11	(29.9)	(12.5)	(42.4)
Assets classified as held for sale	18	(4.0)	(4.4)	(8.4)
Brand related intangible assets	12	(12.7)	-	(12.7)
Goodwill	12	(24.8)	-	(24.8)
Inventory		(13.3)	-	(13.3)
Accounts receivable		(27.9)	-	(27.9)
Accounts payable		24.4	-	24.4
Net assets disposed		(88.2)	(16.9)	(105.1)
<b>Consideration</b>				
Cash received		153.8	12.7	166.5
Disposal related costs		(38.1)	-	(38.1)
Total consideration received		115.7	12.7	128.4
Cumulative exchange difference on translation recycled on disposal	30	(0.8)	-	(0.8)
<b>Profit/(loss) on disposal of businesses and assets</b>		<b>26.7</b>	<b>(4.2)</b>	<b>22.5</b>

### Net cash inflow on disposal:

	Total 2015 €'m
Cash	166.5
Less: cash at bank and in hand balance disposed of	-
Less: disposal related costs	(38.1)
	128.4

\*Assets represent non-current assets and assets classified as held for sale.

**5. NON-TRADING ITEMS** (continued)**(i) Profit/(loss) on disposal of businesses and assets** (continued)

During the financial year, the Group disposed of the Pinnacle lifestyle bakery business in Australia from the Taste & Nutrition division and two businesses in the Consumer Foods division in the UK. The Consumer Foods businesses were classified as held for sale in 2014. Additionally, the Group disposed of property, plant and equipment and assets classified as held for sale, primarily in the US and Ireland.

In 2014, the profit of €0.1m related primarily to the disposal of a business in the Consumer Foods division in the UK, a subsidiary in Argentina, and the sale of property, plant and equipment and assets classified as held for sale in the US, UK and Ireland. In addition the cumulative exchange difference on translation recycled on disposal of a subsidiary in 2014 was a loss of €0.4m.

A net tax credit of **€1.7m** (2014: €3.9m) arose on the disposal of businesses and assets.

**(ii) Acquisition integration and restructuring costs**

The 2015 acquisition integration and restructuring costs of **€7.8m** related primarily to transaction expenses incurred in completing acquisitions as well as initial costs in integrating these acquisitions into the Group's operations. Details of the acquisitions completed in 2015 are disclosed in Note 31. In 2015, a tax credit of **€2.0m** arose due to tax deductions available on acquisition integration and restructuring costs. There were no acquisition integration and restructuring costs recorded in non-trading items in 2014.

**(iii) Impairment of assets held for sale**

In 2015, assets classified as held for sale were impaired to their fair value less costs to sell by **€5.3m**. There were no impairments of assets held for sale recorded in 2014.

**6. FINANCE INCOME AND COSTS**

	Notes	2015 €'m	2014 €'m
<b>Finance income:</b>			
Interest income on deposits		<b>1.8</b>	1.1
<b>Finance costs:</b>			
Interest payable		<b>(52.6)</b>	(44.7)
Interest rate derivative	24	<b>(5.0)</b>	(1.2)
Borrowing costs capitalised		-	1.9
		<b>(57.6)</b>	(44.0)
Net interest cost on retirement benefits obligation	26	<b>(13.5)</b>	(10.0)
<b>Finance costs</b>		<b>(71.1)</b>	(54.0)

The interest rate derivative cost represents credit value adjustments to the fair values of derivative financial instruments designated in a hedge relationship of **€5.0m** (2014: €2.3m). In 2014 credit value adjustments were partly offset by the fair value movement of certain derivatives that were no longer designated in a hedge relationship.

There were no finance costs capitalised in 2015. The costs capitalised in 2014 related primarily to borrowing costs incurred on significant capital projects including the Global Technology and Innovation Centres and the development of computer software for the Kerryconnect programme. Interest was capitalised at the Group's average interest rate for 2014 of 3.6%.

## 7. INCOME TAXES

	Notes	2015 €'m	2014 €'m
<b>Recognition in the Consolidated Income Statement</b>			
Current tax expense in the financial year		78.6	73.7
Adjustments in respect of prior years		(6.0)	(3.9)
		72.6	69.8
Deferred tax in the financial year	17	4.8	5.9
<b>Income tax expense</b>		<b>77.4</b>	<b>75.7</b>
Included in the above is the following tax charge/(credit) on non-trading items:			
Current tax		0.4	(0.1)
Deferred tax		(4.1)	(3.8)
	5	(3.7)	(3.9)

The applicable tax rate of **14.1%** (2014: 14.7%) used by the Group is calculated based on the weighted average of the standard tax rates applying to profits earned by the Group in the jurisdictions in which it operates. The variation in the applicable tax rate is caused by changes in profits by jurisdiction, as well as changes in local statutory tax rates.

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

	2015 €'m	2014 €'m
Profit before taxation	602.8	555.6
Applicable tax	85.2	81.4
Adjustments to current tax and deferred tax in respect of prior years	(2.8)	1.7
Income taxed at rates other than standard tax rates	(2.7)	(0.8)
Withholding taxes and other local taxes	6.9	5.1
Income not subject to tax	(2.5)	(9.4)
Utilisation of unprovided deferred tax assets	(6.0)	(5.2)
Other adjusting items	(0.7)	2.9
<b>Income tax expense</b>	<b>77.4</b>	<b>75.7</b>

In 2015, **€6.0m** of deferred tax assets were utilised in the financial year (2014: €5.2m).

An increase in the Group's applicable tax rate of 1% would reduce profit after tax by €6.0m (2014: €5.6m). 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 for the financial year as determined in accordance with IFRSs as adopted by the European Union is **€228.0m** (2014: €69.9m).

**9. EARNINGS PER A ORDINARY SHARE**

	Notes	EPS cent	2015 €'m	EPS cent	2014 €'m
<b>Basic earnings per share</b>					
Profit after taxation and attributable to owners of the parent		<b>298.7</b>	<b>525.4</b>	273.0	479.9
Brand related intangible asset amortisation	12	<b>10.6</b>	<b>18.7</b>	8.2	14.4
Non-trading items (net of related tax)	5	<b>(7.4)</b>	<b>(13.1)</b>	(2.3)	(4.0)
<b>Adjusted earnings</b>		<b>301.9</b>	<b>531.0</b>	278.9	490.3
<b>Diluted earnings per share</b>					
Profit after taxation and attributable to owners of the parent		<b>298.4</b>	<b>525.4</b>	272.7	479.9
Adjusted earnings		<b>301.5</b>	<b>531.0</b>	278.6	490.3

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

<b>Number of Shares</b>	Note	2015 m's	2014 m's
Basic weighted average number of shares		<b>175.9</b>	175.8
Impact of share options outstanding		<b>0.2</b>	0.2
<b>Diluted weighted average number of shares</b>		<b>176.1</b>	176.0
<b>Actual number of shares in issue as at 31 December</b>	27	<b>175.9</b>	175.8

**10. DIVIDENDS**

	2015 €'m	2014 €'m
<b>Group and Company:</b>		
<b>Amounts recognised as distributions to equity shareholders in the financial year</b>		
Final 2014 dividend of <b>31.50</b> cent per A ordinary share paid 15 May 2015 (Final 2013 dividend of 28.00 cent per A ordinary share paid 9 May 2014)	<b>55.4</b>	49.2
Interim 2015 dividend of <b>15.00</b> cent per A ordinary share paid 13 November 2015 (Interim 2014 dividend of 13.50 cent per A ordinary share paid 14 November 2014)	<b>26.4</b>	23.8
	<b>81.8</b>	73.0

Since the financial year end the Board has proposed a final 2015 dividend of **35.00** cent per A ordinary share. The payment date for the final dividend will be 13 May 2016 to shareholders registered on the record date as at 15 April 2016. These consolidated financial statements do not reflect this dividend.

## 11. PROPERTY, PLANT AND EQUIPMENT

	Notes	Land and Buildings €'m	Plant, Machinery and Equipment €'m	Construction in Progress €'m	Motor Vehicles €'m	Total €'m
<b>Group:</b>						
<b>Cost</b>						
At 1 January 2014		777.1	1,440.5	94.0	20.8	2,332.4
Businesses acquired		6.2	9.7	0.7	0.3	16.9
Additions		40.0	50.8	138.3	0.7	229.8
Purchase adjustments		(0.4)	(0.7)	-	-	(1.1)
Transfer from construction in progress		14.8	44.6	(59.4)	-	-
Disposals		(25.3)	(39.1)	-	(3.1)	(67.5)
Transfer to held for sale		(15.3)	(0.8)	-	-	(16.1)
Exchange translation adjustment	30	48.2	86.0	7.2	0.1	141.5
At 31 December 2014		845.3	1,591.0	180.8	18.8	2,635.9
<b>Businesses acquired</b>	31	<b>25.8</b>	<b>34.9</b>	<b>0.4</b>	<b>0.1</b>	<b>61.2</b>
<b>Additions</b>		<b>72.8</b>	<b>76.8</b>	<b>65.4</b>	<b>1.4</b>	<b>216.4</b>
<b>Purchase adjustments</b>		<b>(5.0)</b>	<b>(1.0)</b>	<b>-</b>	<b>-</b>	<b>(6.0)</b>
<b>Transfer from construction in progress</b>		<b>89.8</b>	<b>57.4</b>	<b>(147.2)</b>	<b>-</b>	<b>-</b>
<b>Businesses disposed</b>	5	<b>(9.9)</b>	<b>(21.4)</b>	<b>(12.5)</b>	<b>(0.1)</b>	<b>(43.9)</b>
<b>Disposals</b>		<b>(9.5)</b>	<b>(53.3)</b>	<b>(0.2)</b>	<b>(1.5)</b>	<b>(64.5)</b>
<b>Transfer to held for sale</b>		<b>(36.1)</b>	<b>(4.7)</b>	<b>-</b>	<b>-</b>	<b>(40.8)</b>
<b>Exchange translation adjustment</b>	30	<b>35.5</b>	<b>57.8</b>	<b>6.0</b>	<b>(0.3)</b>	<b>99.0</b>
<b>At 31 December 2015</b>		<b>1,008.7</b>	<b>1,737.5</b>	<b>92.7</b>	<b>18.4</b>	<b>2,857.3</b>
<b>Accumulated depreciation and impairment</b>						
At 1 January 2014		300.3	923.7	-	17.9	1,241.9
Charge during the financial year	3	23.8	80.8	-	1.2	105.8
Disposals		(18.9)	(35.5)	-	(2.9)	(57.3)
Transfer to held for sale		(6.7)	(0.3)	-	-	(7.0)
Exchange translation adjustment	30	16.6	52.4	-	0.1	69.1
At 31 December 2014		315.1	1,021.1	-	16.3	1,352.5
<b>Charge during the financial year</b>	3	<b>28.6</b>	<b>96.7</b>	<b>-</b>	<b>0.7</b>	<b>126.0</b>
<b>Impairments</b>	3	<b>0.9</b>	<b>3.2</b>	<b>-</b>	<b>-</b>	<b>4.1</b>
<b>Businesses disposed</b>	5	<b>(0.9)</b>	<b>(13.1)</b>	<b>-</b>	<b>-</b>	<b>(14.0)</b>
<b>Disposals</b>		<b>(8.7)</b>	<b>(41.7)</b>	<b>-</b>	<b>(1.6)</b>	<b>(52.0)</b>
<b>Transfer to held for sale</b>		<b>(32.1)</b>	<b>(4.3)</b>	<b>-</b>	<b>-</b>	<b>(36.4)</b>
<b>Exchange translation adjustment</b>	30	<b>11.6</b>	<b>34.1</b>	<b>-</b>	<b>(0.1)</b>	<b>45.6</b>
<b>At 31 December 2015</b>		<b>314.5</b>	<b>1,096.0</b>	<b>-</b>	<b>15.3</b>	<b>1,425.8</b>
<b>Carrying value</b>						
At 31 December 2014		530.2	569.9	180.8	2.5	1,283.4
<b>At 31 December 2015</b>		<b>694.2</b>	<b>641.5</b>	<b>92.7</b>	<b>3.1</b>	<b>1,431.5</b>

Included in the impairments above is **€1.7m** charged to non-trading items relating to assets classified as held for sale.

**11. PROPERTY, PLANT AND EQUIPMENT** (continued)

**Land and  
Buildings  
Total  
€'m**

**Company:****Cost**

At 1 January 2014	4.7
<b>At 31 December 2014 and 2015</b>	<b>4.7</b>

**Accumulated depreciation**

At 1 January 2014	36
Charge during the financial year	0.2
At 31 December 2014	3.8
Charge during the financial year	0.1
<b>At 31 December 2015</b>	<b>3.9</b>

**Carrying value**

At 31 December 2014	0.9
<b>At 31 December 2015</b>	<b>0.8</b>



## 12. INTANGIBLE ASSETS

	Notes	Goodwill €'m	Brand Related Intangibles €'m	Computer Software €'m	Total €'m
<b>Group:</b>					
<b>Cost</b>					
At 1 January 2014		1,723.9	799.1	127.2	2,650.2
Businesses acquired		95.2	29.0	-	124.2
Additions		-	-	35.6	35.6
Purchase adjustments		7.5	(6.9)	-	0.6
Businesses disposed		(7.7)	(3.2)	-	(10.9)
Exchange translation adjustment	30	87.8	28.4	1.3	117.5
At 31 December 2014		1,906.7	846.4	164.1	2,917.2
<b>Businesses acquired</b>	31	<b>409.3</b>	<b>377.3</b>	<b>-</b>	<b>786.6</b>
<b>Additions</b>		<b>-</b>	<b>-</b>	<b>31.6</b>	<b>31.6</b>
<b>Purchase adjustments</b>		<b>11.2</b>	<b>3.2</b>	<b>-</b>	<b>14.4</b>
<b>Transferred to held for sale</b>		<b>(3.6)</b>	<b>-</b>	<b>-</b>	<b>(3.6)</b>
<b>Businesses disposed</b>		<b>(39.3)</b>	<b>(27.9)</b>	<b>-</b>	<b>(67.2)</b>
<b>Disposals</b>		<b>-</b>	<b>-</b>	<b>(0.5)</b>	<b>(0.5)</b>
<b>Exchange translation adjustment</b>	30	<b>55.5</b>	<b>24.0</b>	<b>1.3</b>	<b>80.8</b>
<b>At 31 December 2015</b>		<b>2,339.8</b>	<b>1,223.0</b>	<b>196.5</b>	<b>3,759.3</b>
<b>Accumulated amortisation and impairment</b>					
At 1 January 2014		44.6	146.2	66.7	257.5
Charge during the financial year	3	-	14.4	13.6	28.0
Businesses disposed		(7.7)	(3.2)	-	(10.9)
Exchange translation adjustment	30	-	11.7	1.9	13.6
At 31 December 2014		36.9	169.1	82.2	288.2
<b>Charge during the financial year</b>	3	<b>-</b>	<b>18.7</b>	<b>18.7</b>	<b>37.4</b>
<b>Businesses disposed</b>		<b>(14.5)</b>	<b>(15.2)</b>	<b>-</b>	<b>(29.7)</b>
<b>Disposals</b>		<b>-</b>	<b>-</b>	<b>(0.5)</b>	<b>(0.5)</b>
<b>Impairment</b>		<b>3.6</b>	<b>-</b>	<b>-</b>	<b>3.6</b>
<b>Transfer to be held for sale</b>		<b>(3.6)</b>	<b>-</b>	<b>-</b>	<b>(3.6)</b>
<b>Exchange translation adjustment</b>	30	<b>2.1</b>	<b>11.4</b>	<b>1.1</b>	<b>14.6</b>
<b>At 31 December 2015</b>		<b>24.5</b>	<b>184.0</b>	<b>101.5</b>	<b>310.0</b>
<b>Carrying value</b>					
At 31 December 2014		1,869.8	677.3	81.9	2,629.0
<b>At 31 December 2015</b>		<b>2,315.3</b>	<b>1,039.0</b>	<b>95.0</b>	<b>3,449.3</b>

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 **€789.6m** (2014: €485.0m) which have indefinite lives. There are no material internally generated brand related intangibles.

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. The recoverable amount of each of the four cash generating units (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 same long term growth rates applied to the cash flows.

The duration of the discounted cash flow model is a significant factor in determining the fair value of the CGUs, which has been arrived at after taking account of the Group's strong financial position, its established history of earnings growth and cash flow generation, its proven ability to pursue and integrate value-enhancing acquisitions, the nature of the Taste & Nutrition and Consumer Foods industries and Kerry's continuous commitment to invest in research and development in its chosen technologies. This coupled with strong customer relationships and modern manufacturing facilities, protects and enhances Kerry's industry leading position as well as future profitability and cash flow generation.

No impairment was recognised in 2015 or 2014 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 2015, a specific impairment charge of **€3.6m** in relation to goodwill was 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 beneficial region within segment, is as follows:

	<b>Goodwill</b>	Goodwill	<b>Indefinite Life</b>	Indefinite Life
	<b>2015</b>	2014	<b>Intangibles</b>	Intangibles
	<b>€'m</b>	€'m	<b>2015</b>	2014
			<b>€'m</b>	€'m
<b>Taste &amp; Nutrition</b>				
EMEA	<b>471.6</b>	453.4	<b>114.9</b>	112.4
Americas	<b>1,276.4</b>	877.0	<b>579.2</b>	270.6
Asia Pacific	<b>116.8</b>	147.3	<b>53.9</b>	64.6
<b>Consumer Foods</b>				
EMEA	<b>450.5</b>	392.1	<b>41.6</b>	37.4
	<b>2,315.3</b>	1,869.8	<b>789.6</b>	485.0

**Key assumptions**

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 growth rates by CGU:

	<b>Discount</b>	Discount	<b>Growth</b>	Growth
	<b>Rates</b>	Rates	<b>Rates</b>	Rates
	<b>2015</b>	2014	<b>2015</b>	2014
<b>Taste &amp; Nutrition</b>				
EMEA	<b>5.3%</b>	5.4%	<b>1.9%</b>	1.9%
Americas	<b>5.5%</b>	5.4%	<b>2.5%</b>	2.4%
Asia Pacific	<b>6.9%</b>	6.7%	<b>4.7%</b>	4.5%
<b>Consumer Foods</b>				
EMEA	<b>5.2%</b>	5.2%	<b>2.0%</b>	2.0%

## 12. INTANGIBLE ASSETS (continued)

### Impairment testing (continued)

Management estimate discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. A higher discount rate is applied to higher risk markets, while a lower rate is applied to more stable markets.

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 specific CGU include future profitability, capital expenditure requirements, depreciation levels and working capital investment needs using growth rates as disclosed in the table above. The cash flows included in the value-in-use calculations are generally determined based on historical performance and management's expectation of future trends affecting the industry and other developments and initiatives in the business.

### 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 2015 or 2014. Further changes to the discount rate (for example, a 5% increase) would not have resulted in an impairment charge in 2015 or 2014 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 2015 or 2014. 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 2015 or 2014. 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

	Note	Available-for-sale Investments €'m	Other Investments €'m	Total €'m
<b>Group:</b>				
At 1 January 2014		4.1	17.3	21.4
Additions		-	4.0	4.0
Exchange translation adjustment	30	-	2.5	2.5
At 31 December 2014		4.1	23.8	27.9
Additions		-	3.3	3.3
Exchange translation adjustment	30	-	2.8	2.8
<b>At 31 December 2015</b>		<b>4.1</b>	<b>29.9</b>	<b>34.0</b>

### Available-for-sale investments

The available-for-sale investments represent investments in equity securities. These investments have no fixed maturity or coupon rate. A 'sum-of-the-parts' valuation was performed in 2015 and 2014 which did not result in any change to the carrying value of these assets.

A 10% decrease in the valuation of these shares in 2015 would have resulted in a loss in the Consolidated Income Statement of €0.4m (2014: €0.4m).

### Other investments

The Group maintains Rabbi Trusts in respect of non-qualified deferred compensation plans in the US. The assets of the trusts consist of bonds and cash which are restricted for use. The bonds are fair valued at each financial year end using quoted market prices. The corresponding liability is recognised within 'other non-current liabilities' (note 22).

**14. INVESTMENT IN ASSOCIATE**

	Note	2015 €'m	2014 €'m
At 1 January		40.2	-
Acquisition		-	40.2
Share of loss after tax during the financial year	3	(1.3)	(0.2)
Exchange translation adjustment		-	0.2
<b>At 31 December</b>		<b>38.9</b>	<b>40.2</b>

In 2014, the Group acquired an investment in a private company which is treated as an associate undertaking and whose financial year end date is 31 March, the date established on incorporation. The amounts included in these Group consolidated financial statements in respect of the post-acquisition profits or losses of the associate are taken from their latest financial statements prepared up to their financial year end, together with management accounts for the intervening periods to the Group's year-end.

**15. INVESTMENTS IN SUBSIDIARIES**

	2015 €'m	2014 €'m
<b>Company:</b>		
<b>Investments in subsidiaries at cost</b>		
At 1 January	637.7	638.7
Redemption of investments in subsidiaries	-	(1.0)
<b>At 31 December</b>	<b>637.7</b>	<b>637.7</b>

**16. INVENTORIES**

	2015 €'m	2014 €'m
<b>Group:</b>		
Raw materials and consumables	319.7	291.0
Finished goods and goods for resale	390.3	392.0
Expense inventories	24.2	19.0
	<b>734.2</b>	<b>702.0</b>

Write-downs of inventories recognised as an expense approximates to **1%** (2014: 1%) 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:

	Notes	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 2014		87.3	180.5	(28.8)	(51.7)	(35.4)	151.9
Consolidated Income Statement movement	7	0.6	(7.9)	8.2	6.4	(1.4)	5.9
Recognised in other comprehensive income during the financial year		-	-	-	(30.5)	(4.9)	(35.4)
Related to businesses acquired/disposed		1.3	5.5	(0.1)	-	-	6.7
Exchange translation adjustment	30	9.5	8.4	(1.9)	(2.9)	(6.9)	6.2
At 31 December 2014		98.7	186.5	(22.6)	(78.7)	(48.6)	135.3
Consolidated Income Statement movement	7	(1.5)	(9.7)	11.4	3.8	0.8	4.8
Recognised in other comprehensive income during the financial year		-	-	-	25.2	1.7	26.9
Related to businesses acquired/disposed		(2.3)	35.8	1.4	-	(1.6)	33.3
Exchange translation adjustment	30	7.6	2.1	(0.7)	(2.8)	(5.9)	0.3
<b>At 31 December 2015</b>		<b>102.5</b>	<b>214.7</b>	<b>(10.5)</b>	<b>(52.5)</b>	<b>(53.6)</b>	<b>200.6</b>

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** (2014: (€4.2m)) and an exchange difference on translation of foreign operations of **€0.3m** (2014: (€0.7m)). 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:

	2015 €'m	2014 €'m
Deferred tax assets	(43.2)	(55.8)
Deferred tax liabilities	243.8	191.1
	<b>200.6</b>	135.3

The total deductible temporary differences which have not been recognised is **€38.1m** (2014: €73.5m). The Group does not have any unrecognised losses which have an expiry date (2014: €22.4m).

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

An increase of 1% in the tax rates at which deferred tax is calculated would increase the net deferred tax balance of the Group by €6.9m (2014: €4.7m).

**18. ASSETS CLASSIFIED AS HELD FOR SALE**

	<b>2015</b>	2014
	<b>€'m</b>	€'m
<b>Group:</b>		
Property, plant and equipment (net of grants)	<b>12.4</b>	12.8
Inventory	<b>9.1</b>	17.8
	<b>21.5</b>	30.6

In 2015, the Group held certain property, plant and equipment as assets classified as held for sale in both the Taste & Nutrition and Consumer Foods divisions across Ireland and the UK. As at the 31 December 2015 the Group had a business in Taste & Nutrition and another in Consumer Foods as classified as held for sale. Additionally two Consumer Foods businesses were sold, which were classified as held for sale in 2014.

In 2014, the Group had certain property, plant and equipment in the Taste & Nutrition division in Brazil and the US and certain businesses in the Consumer Foods division across Ireland and the UK classified as held for sale.

In connection with the assets related to the remaining businesses held for sale, their fair value less costs to sell were based on a combination of offers received for the businesses and management estimates of the fair value of the businesses. These fair values were determined as level 2 on the fair value hierarchy.



## 19. TRADE AND OTHER RECEIVABLES

	Group 2015 €'m	Group 2014 €'m	Company 2015 €'m	Company 2014 €'m
<b>Group:</b>				
Trade receivables	760.5	728.7	-	-
Less impairment allowance for doubtful trade receivables	(26.6)	(25.2)	-	-
Trade receivables due within 1 year	733.9	703.5	-	-
Other receivables and prepayments	39.7	60.9	-	-
Amounts due from subsidiaries	-	-	63.3	1.6
VAT receivable	57.4	33.3	-	-
Receivables due after 1 year	2.9	3.4	-	-
	833.9	801.1	63.3	1.6

All receivable balances are due within 1 year except for **€2.9m** (2014: €3.4m) 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:

	2015 €'m	2014 €'m
Within terms	605.3	556.3
Past due not more than 1 month	95.9	100.9
Past due more than 1 month but less than 2 months	25.6	36.9
Past due more than 2 months but less than 3 months	6.9	7.8
Past due more than 3 months	0.2	1.6
<b>Trade receivables (net)</b>	<b>733.9</b>	<b>703.5</b>

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

	2015 €'m	2014 €'m
At beginning of financial year	25.2	23.1
Charged to the Consolidated Income Statement	10.3	10.9
Utilised or reversed during the financial year	(8.5)	(9.6)
Exchange translation adjustment	(0.4)	0.8
<b>At end of financial year</b>	<b>26.6</b>	<b>25.2</b>

Trade and other receivables are stated at amortised cost. The fair value of these receivables approximates their carrying value as these are short term in nature and neither past due more than 3 months or impaired. Hence, the maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable.

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

The quality of past due not impaired trade and other receivables is considered good, therefore no significant impairment charge has been recorded in the Consolidated Income Statement in 2015 or 2014.

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.

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**

	<b>Group 2015 €'m</b>	<b>Group 2014 €'m</b>	<b>Company 2015 €'m</b>	<b>Company 2014 €'m</b>
Trade payables	<b>1,088.0</b>	1,020.6	-	-
Other payables and accruals	<b>181.9</b>	156.0	<b>3.4</b>	2.0
Deferred payments on acquisition of businesses	<b>6.8</b>	6.9	<b>5.9</b>	5.9
PAYE	<b>2.9</b>	5.7	-	-
Social security costs	<b>6.2</b>	4.9	-	-
Amounts due to Group companies	-	-	-	37.4
	<b>1,285.8</b>	1,194.1	<b>9.3</b>	45.3

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**

	<b>Group 2015 €'m</b>	<b>Group 2014 €'m</b>	<b>Company 2015 €'m</b>	<b>Company 2014 €'m</b>
Notes				
<b>Capital grants</b>				
At beginning of the financial year	25.6	20.8	0.1	0.1
Grants received during the financial year	<b>3.7</b>	6.6	-	-
Amortised during the financial year	3 <b>(2.5)</b>	(2.3)	-	-
Exchange translation adjustment	30 <b>0.5</b>	0.5	-	-
<b>At end of the financial year</b>	<b>27.3</b>	25.6	<b>0.1</b>	0.1
<b>Analysed as:</b>				
Current liabilities	<b>2.7</b>	2.5	-	-
Non-current liabilities	<b>24.6</b>	23.1	<b>0.1</b>	0.1
	<b>27.3</b>	25.6	<b>0.1</b>	0.1

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

**22. OTHER NON-CURRENT LIABILITIES**

	<b>Group 2015 €'m</b>	<b>Group 2014 €'m</b>	<b>Company 2015 €'m</b>	<b>Company 2014 €'m</b>
Other payables and accruals	<b>90.7</b>	76.8	-	-
Deferred payments on acquisition of businesses	<b>3.2</b>	-	-	-
Amounts due to Group companies	-	-	-	57.5
	<b>93.9</b>	76.8	-	57.5

All of the above balances are due within 2 to 5 years except for **€0.7m** (2014: €1.5m) 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	Loans & Receivables & Other Financial Assets/(Liabilities) at Amortised Cost 2015 €'m	Assets/ (Liabilities) at Fair Value through Profit or Loss 2015 €'m	Derivatives Designated as Hedging Instruments 2015 €'m	Available-for-sale Investments 2015 €'m	Total 2015 €'m
<b>Group:</b>						
Financial asset investments	13	-	29.9	-	4.1	34.0
Forward foreign exchange contracts	24 (i.i)	-	6.7	13.5	-	20.2
Interest rate swaps	24 (ii.ii)	-	-	169.9	-	169.9
Trade and other receivables	19	833.9	-	-	-	833.9
Cash at bank and in hand	24 (iii.i)	236.4	-	-	-	236.4
<b>Total financial assets</b>		<b>1,070.3</b>	<b>36.6</b>	<b>183.4</b>	<b>4.1</b>	<b>1,294.4</b>
Current assets		1,070.3	6.7	9.0	-	1,086.0
Non-current assets		-	29.9	174.4	4.1	208.4
		1,070.3	36.6	183.4	4.1	1,294.4
Borrowings and overdrafts	24 (iii.i)	(2,018.2)	(31.7)	-	-	(2,049.9)
Forward foreign exchange contracts	24 (i.i)	-	(19.5)	(5.6)	-	(25.1)
Interest rate swaps	24 (ii.ii)	-	-	(6.5)	-	(6.5)
Trade and other payables	20	(1,285.8)	-	-	-	(1,285.8)
<b>Total financial liabilities</b>		<b>(3,304.0)</b>	<b>(51.2)</b>	<b>(12.1)</b>	<b>-</b>	<b>(3,367.3)</b>
Current liabilities		(1,324.2)	(19.5)	(5.6)	-	(1,349.3)
Non-current liabilities		(1,979.8)	(31.7)	(6.5)	-	(2,018.0)
		(3,304.0)	(51.2)	(12.1)	-	(3,367.3)
<b>Total net financial (liabilities)/assets</b>		<b>(2,233.7)</b>	<b>(14.6)</b>	<b>171.3</b>	<b>4.1</b>	<b>(2,072.9)</b>

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	(33.2)	-	-	-	(33.2)
Senior notes	(1,979.8)	(31.7)	-	-	(2,011.5)
<b>Borrowings and overdrafts</b>	<b>(2,018.2)</b>	<b>(31.7)</b>	<b>-</b>	<b>-</b>	<b>(2,049.9)</b>
Interest rate swaps	-	-	163.4	-	163.4
Cash at bank and in hand	236.4	-	-	-	236.4
<b>Total net debt</b>	<b>(1,781.8)</b>	<b>(31.7)</b>	<b>163.4</b>	<b>-</b>	<b>(1,650.1)</b>

In 2015 all Group borrowings are guaranteed by Kerry Group plc. In 2014 all Group borrowings are guaranteed by Kerry Group plc and its material asset holding companies through a cross-guarantee structure. No assets of the Group have been pledged to secure the borrowings.

**23. ANALYSIS OF FINANCIAL INSTRUMENTS BY CATEGORY** (continued)

As part of the Group's debt portfolio it holds US\$750m of senior notes issued in 2013 and US\$600m of senior notes issued in 2010. At the time of issuance, US\$250m of the 2013 senior notes and US\$500m of the 2010 senior notes were swapped, using cross currency swaps, to euro. In addition the Group holds €750m of senior notes issued in 2015, of which €175m were swapped, using cross currency swaps, to US dollar.

The adjustment to senior notes classified under liabilities at fair value through profit or loss of **€31.7m** (2014: €30.4m) represents the part adjustment to the carrying value of debt from applying fair value hedge accounting for interest rate risk. This amount is primarily offset by the fair value adjustment on the underlying cross currency interest rate swap.

	Notes	Loans & Receivables & Other Financial Assets/(Liabilities) at Amortised Cost 2014 €'m	Assets/(Liabilities) at Fair Value through Profit or Loss 2014 €'m	Derivatives Designated as Hedging Instruments 2014 €'m	Available-for-sale Investments 2014 €'m	Total 2014 €'m
Group:						
Financial asset investments	13	-	23.8	-	4.1	27.9
Forward foreign exchange contracts	24 (i.i)	-	7.5	1.9	-	9.4
Interest rate swaps	24 (ii.ii)	-	-	104.7	-	104.7
Trade and other receivables	19	801.1	-	-	-	801.1
Cash at bank and in hand	24 (iii.i)	283.7	-	-	-	283.7
<b>Total financial assets</b>		<b>1,084.8</b>	<b>31.3</b>	<b>106.6</b>	<b>4.1</b>	<b>1,226.8</b>
Current assets		1,084.8	7.5	1.9	-	1,094.2
Non-current assets		-	23.8	104.7	4.1	132.6
		<b>1,084.8</b>	<b>31.3</b>	<b>106.6</b>	<b>4.1</b>	<b>1,226.8</b>
Borrowings	24 (iii.i)	(1,543.3)	(30.4)	-	-	(1,573.7)
Forward foreign exchange contracts	24 (i.i)	-	(12.3)	(7.9)	-	(20.2)
Interest rate swaps	24 (ii.ii)	-	-	(10.0)	-	(10.0)
Trade and other payables	20	(1,194.1)	-	-	-	(1,194.1)
<b>Total financial liabilities</b>		<b>(2,737.4)</b>	<b>(42.7)</b>	<b>(17.9)</b>	<b>-</b>	<b>(2,798.0)</b>
Current liabilities		(1,497.2)	(12.3)	(9.5)	-	(1,519.0)
Non-current liabilities		(1,240.2)	(30.4)	(8.4)	-	(1,279.0)
		<b>(2,737.4)</b>	<b>(42.7)</b>	<b>(17.9)</b>	<b>-</b>	<b>(2,798.0)</b>
<b>Total net financial (liabilities)/assets</b>		<b>(1,652.6)</b>	<b>(11.4)</b>	<b>88.7</b>	<b>4.1</b>	<b>(1,571.2)</b>

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

## Analysis of total net debt by category

Bank overdrafts	(5.6)	-	-	-	(5.6)
Bank loans	(172.3)	-	-	-	(172.3)
Senior notes	(1,365.4)	(30.4)	-	-	(1,395.8)
<b>Borrowings and overdrafts</b>	<b>(1,543.3)</b>	<b>(30.4)</b>	<b>-</b>	<b>-</b>	<b>(1,573.7)</b>
Interest rate swaps	-	-	94.7	-	94.7
Cash at bank and in hand	283.7	-	-	-	283.7
<b>Total net debt</b>	<b>(1,259.6)</b>	<b>(30.4)</b>	<b>94.7</b>	<b>-</b>	<b>(1,195.3)</b>

## 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	2015 €'m	2014 €'m
<b>Company:</b>			
<b>Loans &amp; receivables &amp; other financial assets at amortised cost</b>			
Cash at bank and in hand		0.1	-
Trade and other receivables	19	63.3	1.6
<b>Total financial assets</b>		<b>63.4</b>	<b>1.6</b>
Current assets		63.4	1.6
<b>Financial liabilities at amortised cost</b>			
Borrowings and overdrafts		(0.7)	(0.7)
Trade and other payables	20	(9.3)	(45.3)
<b>Total financial liabilities</b>		<b>(10.0)</b>	<b>(46.0)</b>
Current liabilities		(10.0)	(46.0)
<b>Total net financial liabilities</b>		<b>53.4</b>	<b>(44.4)</b>

## 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 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. During the period, the Group agreed a new 5 year €1.1bn revolving credit facility replacing the existing facility which was due to mature in April 2016. The facility was part used to repay the US\$306m Tranche C 2003 Senior Notes that matured on 30 April 2015. The facility provides a line of committed debt, thereby significantly extending the maturity profile of Group debt.

In September, the Group issued its debut euro bond, issuing €750m 10 year notes at an annual coupon of 2.375%. The bonds which are listed on the Irish Stock Exchange provide Kerry with an additional source of debt finance and significantly extend the maturity profile of Group debt. Proceeds from the issue were used to repay existing debt on the 5 year €1.1bn revolving credit facility and to fund acquisitions. The senior notes are rated by Standard & Poor's 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 12 to 18 months; otherwise consideration would be given to issuing additional equity in the Group.

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

Except for public bonds, the majority of Group borrowings are subject to financial covenants calculated in accordance with lenders' facility agreements.

Principal among these are:

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

At 31 December these ratios were as follows:

	2015 Times	2014 Times
Net debt : EBITDA*	1.9	1.6
EBITDA : Net interest*	17.3	17.2

\* Calculated in accordance with lenders' facility agreements which take account of adjustments as outlined on page 26.

**24. FINANCIAL INSTRUMENTS** (continued)**Capital management** (continued)**Financial risk management objectives**

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

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

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

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

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 - details in relation to the management of price risk within 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 US dollar assets of **€48.5m** (2014: €67.6m) and a sterling liability of **€18.7m** (2014: €16.3m). Based on these net positions, as at 31 December 2015, a weakening of 5% of the US dollar and sterling against all other key operational currencies, and holding all other items constant, would have decreased the profit after tax of the Group for the financial year by €1.4m (2014: €2.4m).

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 2015 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 €9.2m (2014: €9.2m) and €18.9m (2014: €12.4m) 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. The Group uses forward foreign exchange contracts to hedge these exposures. Derivative financial instruments are held in the Consolidated Balance Sheet at their fair value.

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

	Notes	2015 €'m Asset	2015 €'m Liability	2015 €'m Total	2014 €'m Asset	2014 €'m Liability	2014 €'m Total
<b>Designated in a hedging relationship:</b>							
Forward foreign exchange contracts - cash flow hedges	(a)	<b>13.5</b>	<b>(5.6)</b>	<b>7.9</b>	1.9	(7.9)	(6.0)
- current		<b>9.0</b>	<b>(5.6)</b>	<b>3.4</b>	1.9	(7.9)	(6.0)
- non-current		<b>4.5</b>	-	<b>4.5</b>	-	-	-
<b>At Fair Value through Profit or Loss:</b>							
Forward foreign exchange contracts - trading derivatives	(b)	<b>6.7</b>	<b>(19.5)</b>	<b>(12.8)</b>	7.5	(12.3)	(4.8)
- current		<b>6.7</b>	<b>(19.5)</b>	<b>(12.8)</b>	7.5	(12.3)	(4.8)
<b>Forward foreign exchange contracts</b>		<b>20.2</b>	<b>(25.1)</b>	<b>(4.9)</b>	9.4	(20.2)	(10.8)

## 24. FINANCIAL INSTRUMENTS (continued)

### (i) Foreign exchange rate risk management (continued)

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

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

#### (a) Forward foreign exchange contracts - cash flow hedges

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

	Fair Value Asset/(Liability)		Notional Principal	
	2015 €'m	2014 €'m	2015 €'m	2014 €'m
<b>Forward foreign exchange contracts</b>				
less than 1 year	3.4	(6.0)	711.4	358.7
1 - 2 years	4.5	-	135.6	-
<b>Forward foreign exchange contracts - cash flow hedges</b>	<b>7.9</b>	<b>(6.0)</b>	<b>847.0</b>	<b>358.7</b>

At 31 December 2015, an asset of **€7.1m** (2014: €0.8m liability) of the fair value is included in the hedging reserve, which will primarily be released to the Consolidated Income Statement within **18 months** (2014: 12 months) of the balance sheet date. All forward contracts relate to sales revenue and purchases made in their respective currencies.

During 2015, a loss of **€1.8m** (2014: €2.1m loss) has been taken to foreign exchange gains/(losses) in the Consolidated Income Statement in respect of forward foreign exchange contracts that matured during the year. There were no transactions during 2015 or 2014 which were designated as hedges that did not occur, nor are there hedges on forecast transactions that are no longer expected to occur.

The gains and losses in other comprehensive income on forward foreign exchange contracts as at 31 December 2014 were released to the Consolidated Income Statement in 2015 as follows:

- within 3 months: **€0.3m** (2014: €0.1m);
- within 3 to 6 months: **€0.1m** (2014: €nil);
- within 6 to 9 months: **€0.2m** (2014: €0.1m); and
- within 9 to 12 months: **€0.2m** (2014: €nil).

At 31 December 2015 and 2014 no ineffectiveness was recognised in the Consolidated Income Statement from foreign currency cash flow hedges.

#### (b) Forward foreign exchange contracts - trading

The Group holds forward foreign exchange contracts that provide a hedge against foreign currency receivables from 'within Group' lending. These derivatives are classified as trading derivatives and held at fair value through profit or loss. In addition, the Group held a portfolio of forward foreign currency contracts that provide an economic hedge against expected future sales revenue in the respective currencies of the underlying contracts which were not classified for hedge accounting.

The following table details the forward foreign exchange contracts classified as trading derivatives at 31 December:

	Fair Value Liability		Notional Principal	
	2015 €'m	2014 €'m	2015 €'m	2014 €'m
<b>Forward foreign exchange contracts - trading</b>	<b>(12.8)</b>	<b>(4.8)</b>	<b>1,241.2</b>	<b>950.5</b>

The fair value loss of **€12.8m** (2014: €4.8m loss) includes a loss of **€5.5m** (2014: €1.1m) which is directly offset by a gain of **€5.5m** (2014: €1.1m) on the retranslation to balance sheet rates on foreign currency receivables from 'within Group' lending and cash pooling. The balance of **€7.3m** (2014: €5.9m) relates to other economic hedges as outlined above.



**24. FINANCIAL INSTRUMENTS (continued)****(ii) Interest rate risk management**

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

**(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:

	<b>Total Pre CCS €'m</b>	<b>Impact of CCS €'m</b>	<b>Total after CCS €'m</b>	<b>Floating Rate Debt €'m</b>	<b>Fixed Rate Debt €'m</b>
Euro	675.0	513.9	1,188.9	299.8	889.1
Sterling	(19.4)	-	(19.4)	(19.4)	-
US Dollar	1,205.0	(513.9)	691.1	369.6	321.5
Others	(78.8)	-	(78.8)	(78.8)	-
<b>At 31 December 2015</b>	<b>1,781.8</b>	<b>-</b>	<b>1,781.8</b>	<b>571.2</b>	<b>1,210.6</b>
Euro	32.7	617.8	650.5	309.8	340.7
Sterling	(65.1)	-	(65.1)	(65.1)	-
US Dollar	1,365.7	(617.8)	747.9	212.5	535.4
Others	(73.7)	-	(73.7)	(73.7)	-
<b>At 31 December 2014</b>	<b>1,259.6</b>	<b>-</b>	<b>1,259.6</b>	<b>383.5</b>	<b>876.1</b>

The currency profile of debt highlights the impact of the US\$750m of cross currency swaps entered into at the time of issuance of senior notes. For the 2013 senior notes, US\$250m were swapped from US dollar fixed to euro fixed and are accounted for as cash flow hedges. For the 2010 senior notes, US\$408m were swapped from US dollar fixed to euro floating and are accounted for as fair value hedges. In addition US\$92m were swapped from US dollar fixed to euro fixed and are accounted for as cash flow hedges. The retranslation of the foreign currency debt of US\$750m to the balance sheet rate resulted in a foreign currency loss of **€157.4m** (2014: €86.3m) which is directly offset by a gain of **€157.4m** (2014: €86.3m) on the application of hedge accounting on the cross currency swaps.

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. The fair value of the related derivative includes a liability of **€4.0m** for movement in exchange rates since the date of execution which is directly offset by a loss of **€4.0m** on the application of hedge accounting on the cross currency swaps.

The weighted average interest rate for fixed borrowings as at 31 December 2015 is **2.61%** (2014: 3.01%) and the weighted average period for which the rate is fixed is **7.6 years** (2014: 4.4 years).

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 year end **32%** (2014: 30%) of net debt and **40%** (2014: 43%) of gross debt was held at floating rates. If the interest rates applicable to floating rate 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 0.7% (2014: 0.6%).

**(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. All hedges are highly effective on a prospective and retrospective basis.

**24. FINANCIAL INSTRUMENTS** (continued)**(ii) Interest rate risk management** (continued)**(ii.ii) Interest rate swap contracts** (continued)

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

	Notes	2015 €'m Asset	2015 €'m Liability	2015 €'m Total	2014 €'m Asset	2014 €'m Liability	2014 €'m Total
<b>Designated in a hedging relationship:</b>							
Interest rate swap contracts - cash flow hedges	(a)	<b>40.7</b>	-	<b>40.7</b>	13.7	(7.1)	6.6
- current		-	-	-	-	(1.6)	(1.6)
- non-current		<b>40.7</b>	-	<b>40.7</b>	13.7	(5.5)	8.2
Interest rate swap contracts - fair value hedges	(b)	<b>129.2</b>	<b>(6.5)</b>	<b>122.7</b>	91.0	(2.9)	88.1
- current		-	-	-	-	-	-
- non-current		<b>129.2</b>	<b>(6.5)</b>	<b>122.7</b>	91.0	(2.9)	88.1
<b>Interest rate swap contracts</b>		<b>169.9</b>	<b>(6.5)</b>	<b>163.4</b>	104.7	(10.0)	94.7

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 tables (a) - (b) below.

**(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 floating or fixed interest rate and pays fixed interest rate on swaps as at 31 December:

	Average Contracted Fixed Interest Rate		Fair Value Asset/(Liability)		Notional Principal	
	2015 %	2014 %	2015 €'m	2014 €'m	2015 €'m	2014 €'m
<b>Interest rate swap contracts</b>						
less than 1 year	-	1.86	-	(1.6)	-	306.1
1 - 2 years	<b>4.38</b>	-	<b>22.7</b>	-	<b>84.5</b>	-
2 - 5 years	-	4.38	-	13.7	-	75.8
> 5 years	<b>2.58</b>	2.58	<b>18.0</b>	(5.5)	<b>229.6</b>	205.9
<b>Interest rate swap contracts - cash flow hedges</b>			<b>40.7</b>	6.6	<b>314.1</b>	587.8

Of the fair value asset of **€40.7m** at 31 December 2015 (2014: €6.6m asset), a gain of **€56.9m** (2014: €24.5m gain) is attributed to foreign exchange rate fluctuations. The current year foreign exchange gain of **€32.4m** (2014: €33.7m gain) has been recognised in the Consolidated Income Statement and directly offsets the impact incurred on the retranslation of the underlying hedged foreign currency borrowings.

At 31 December 2015 a liability of **€14.4m** (2014: €19.7m liability) has been recognised in the hedging reserve and will be released to the Consolidated Income Statement over the life of the interest rate swaps. During 2015, a charge of **€1.1m** (2014: €0.9m) has been taken to finance costs in the Consolidated Income Statement in respect of amounts held in the hedging reserve at 31 December 2014. The balance of **€1.8m** liability (2014: €1.8m asset) relates to the recognition of credit value adjustments. The current year movement of **€3.6m** (2014: €0.5m) is recognised in the Consolidated Income Statement.

The interest rate swaps settle on either a 3 or 6 monthly basis, the difference between the floating rate or fixed rate due to be received and the fixed rate to be paid are settled on a net basis.

**(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.

**24. FINANCIAL INSTRUMENTS** (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 notional principal amounts and remaining terms of the fair value hedges, where the Group receives fixed interest rate and pays floating interest rate on swaps as at 31 December:

	Average Contracted Fixed Interest Rate		Fair Value Asset		Notional Principal	
	2015 %	2014 %	2015 €'m	2014 €'m	2015 €'m	2014 €'m
<b>Interest rate swap contracts</b>						
2 - 5 years	<b>4.83</b>	-	<b>61.8</b>	-	<b>191.1</b>	-
> 5 years	<b>3.51</b>	4.26	<b>60.9</b>	88.1	<b>588.3</b>	542.0
<b>Interest rate swap contracts - fair value hedges</b>			<b>122.7</b>	88.1	<b>779.4</b>	542.0

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.

Of the fair value asset of **€122.7m** (2014: €88.1m) at 31 December 2015, a gain of **€96.5m** (2014: €61.8m) is attributed to foreign exchange rate fluctuations. The current year foreign exchange gain of **€34.7m** (2014: €40.3m gain) has been recognised in the Consolidated Income Statement to directly offset the impact incurred on the retranslation of the underlying hedged foreign currency borrowings. In addition, an amount of **€31.7m** (2014: €30.4m) relates to interest rate risk and the current year movement has been recognised in the Consolidated Income Statement. This is directly offset against the fair value adjustment to the underlying hedged foreign currency borrowings for interest rate risk. The balance of **€5.5m** (2014: €4.1m) relates to the recognition of credit value adjustments. The current year movement of **€1.4m** (2014: €1.8m) is recognised in the Consolidated Income Statement.

**(iii) Liquidity risk management**

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

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

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

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

Both targets were met at 31 December 2015 and 2014.

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 2015, the Group had undrawn committed bank facilities of **€1,100m** (2014: €867.0m), and a portfolio of undrawn standby facilities amounting to **€340.3m** (2014: €351.0m). The undrawn committed facilities comprise primarily of a revolving credit facility maturing between **4 - 5 years** (2014: between 1 - 2 years).

**24. FINANCIAL INSTRUMENTS** (continued)**(iii) Liquidity risk management** (continued)**(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 receivables (note 19), trade and other payables (note 20) and financial asset investments (note 13). This information has been drawn up based on the undiscounted cash flows of financial liabilities to the earliest date on which the Group can be required to repay. The analysis includes both interest commitments and principal cash flows. To the extent that interest rates are floating, the rate used is derived from interest rate yield curves at the end of the reporting date and as such, are subject to change based on market movements.

	On demand & up to 1 year €'m	Up to 2 years €'m	2 - 5 years €'m	> 5 years €'m	Total €'m
Bank overdrafts	5.2	-	-	-	5.2
Bank loans	33.2	-	-	-	33.2
Senior notes	-	176.4	191.1	1,612.3	1,979.8
Borrowings and overdrafts	38.4	176.4	191.1	1,612.3	2,018.2
Deferred payments on acquisition of businesses	6.8	2.3	0.9	-	10.0
	45.2	178.7	192.0	1,612.3	2,028.2
Interest commitments	66.0	58.6	166.0	153.8	444.4
<b>At 31 December 2015</b>	<b>111.2</b>	<b>237.3</b>	<b>358.0</b>	<b>1,766.1</b>	<b>2,472.6</b>

**Reconciliation to net debt position:**

Borrowings	38.4	176.4	191.1	1,612.3	2,018.2
Senior notes - fair value adjustment	-	-	14.6	17.1	31.7
Borrowings - reported	38.4	176.4	205.7	1,629.4	2,049.9
Interest rate swaps	-	(22.7)	(61.8)	(78.9)	(163.4)
Cash at bank and in hand	(236.4)	-	-	-	(236.4)
<b>Total net debt as at 31 December 2015</b>	<b>(198.0)</b>	<b>153.7</b>	<b>143.9</b>	<b>1,550.5</b>	<b>1,650.1</b>

**24. FINANCIAL INSTRUMENTS (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	5.6	-	-	-	5.6
Bank loans	39.8	132.4	0.1	-	172.3
Senior notes	257.7	-	158.1	949.6	1,365.4
Borrowings and overdrafts	303.1	132.4	158.2	949.6	1,543.3
Deferred payments on acquisition of businesses	6.9	-	-	-	6.9
	310.0	132.4	158.2	949.6	1,550.2
Interest commitments	49.0	43.8	109.2	91.4	293.4
At 31 December 2014	359.0	176.2	267.4	1,041.0	1,843.6

Reconciliation to net debt position:

Borrowings	303.1	132.4	158.2	949.6	1,543.3
Senior notes - fair value adjustment	-	-	-	30.4	30.4
Borrowings - reported	303.1	132.4	158.2	980.0	1,573.7
Interest rate swaps	1.6	-	(13.7)	(82.6)	(94.7)
Cash at bank and in hand	(283.7)	-	-	-	(283.7)
Total net debt as at 31 December 2014	21.0	132.4	144.5	897.4	1,195.3

The maturity profile of other non-derivative financial instruments are set out in their respective notes.

**(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	41.0	60.2	154.4	156.9	412.5
Interest rate swaps outflow	(20.9)	(19.7)	(63.5)	(70.9)	(175.0)
<b>Net interest rate swaps inflow</b>	<b>20.1</b>	<b>40.5</b>	<b>90.9</b>	<b>86.0</b>	<b>237.5</b>
Forward foreign exchange contracts (outflow)/inflow	(9.4)	4.5	-	-	(4.9)
<b>At 31 December 2015</b>	<b>10.7</b>	<b>45.0</b>	<b>90.9</b>	<b>86.0</b>	<b>232.6</b>

	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	33.3	33.0	103.1	142.3	311.7
Interest rate swaps outflow	(17.3)	(16.1)	(45.3)	(46.6)	(125.3)
Net interest rate swaps inflow	16.0	16.9	57.8	95.7	186.4
Forward foreign exchange contracts inflow	(10.8)	-	-	-	(10.8)
At 31 December 2014	5.2	16.9	57.8	95.7	175.6

## 24. FINANCIAL INSTRUMENTS (continued)

### (iii) Liquidity risk management (continued)

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

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

##### Swap inflows

- 1 - 2 years - swap inflow of **€22.7m** (2014: €nil)
- 2 - 5 years - swap inflows of **€51.2m** (2014: €13.9m)
- Greater than 5 years - swap inflows of **€83.5m** (2014: €72.4m)

##### Swap outflows

- Greater than 5 years - swap outflows of **€4.0m** (2014: €nil)

#### (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 April 2020, with 1 year extension options on the first and second anniversary; and
- Bilateral term loans with maturities ranging up to 1 year.

##### (b) 2015 Euro senior notes

The Group issued a debut 10 year euro bond of €750m with a maturity date on 10th September 2025.

##### (c) 2013 US dollar senior notes

The Group issued a 10 year US debut public bond of US\$750m with a maturity date on 9 April 2023.

##### (d) 2010 senior notes

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

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

##### (e) 2003 senior notes

The Group placed US\$650m senior notes with US institutional investors in 2003, Tranche A of US\$114m matured on 30 April 2010 and Tranche B of US\$230m matured on 30 April 2013 and Tranche C of US\$306m matured on 30 April 2015.

Both the committed syndicate facilities and the 2010 senior notes have financial covenants attached to them. The Group was in full compliance with these covenants as at 31 December 2015 and 2014.

#### (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 2015 and 2014 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.

**24. FINANCIAL INSTRUMENTS** (continued)**(iv) Credit risk management** (continued)

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.

**(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.

The Group purchases a variety of commodities which can experience price volatility. It is Group policy to manage commodity price risk commercially via back to back arrangements with customers, through forward purchasing and limited use of derivatives.

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

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

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

	<b>Fair Value Hierarchy</b>	<b>2015 €'m</b>	<b>2014 €'m</b>
<b>Financial assets</b>			
Interest rate swaps	Level 2	<b>169.9</b>	104.7
Forward foreign exchange contracts	Level 2	<b>20.2</b>	9.4
Financial asset investments: Fair value through profit or loss	Level 1	<b>29.9</b>	23.8
Available-for-sale	Level 3	<b>4.1</b>	4.1
<b>Financial liabilities</b>			
Forward foreign exchange contracts	Level 2	<b>(25.1)</b>	(20.2)
Interest rate swaps	Level 2	<b>(6.5)</b>	(10.0)

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.

	<b>Fair Value Hierarchy</b>	<b>Carrying Amount 2015 €'m</b>	<b>Fair Value 2015 €'m</b>	<b>Carrying Amount 2014 €'m</b>	<b>Fair Value 2014 €'m</b>
<b>Financial liabilities</b>					
Senior notes - Public	Level 2	<b>(1,428.7)</b>	<b>(1,398.6)</b>	(613.5)	(594.4)
Senior notes - Private	Level 2	<b>(551.1)</b>	<b>(566.7)</b>	(751.9)	(791.7)
		<b>(1,979.8)</b>	<b>(1,965.3)</b>	(1,365.4)	(1,386.1)



## 24. FINANCIAL INSTRUMENTS (continued)

### (vi) Fair value of financial instruments (continued)

#### (c) Valuation principles

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

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

#### (vii) Offsetting financial instruments

The Group enters into derivative transactions under International Swaps and Derivatives Association (ISDA) master netting agreements. The ISDA agreements do not meet the criteria for offsetting in the Consolidated Balance Sheet. This is because the Group does not have any current legally enforceable right to offset recognised amounts, because the right to offset is enforceable only on the occurrence of future events such as a default on the bank loans or other credit events. 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
<b>31 December 2015</b>					
<b>Financial assets</b>					
Cash at bank and in hand	314.0	(77.6)	236.4	-	236.4
Forward foreign exchange contracts	20.2	-	20.2	(15.4)	4.8
Interest rate swaps	169.9	-	169.9	(6.3)	163.6
	<b>504.1</b>	<b>(77.6)</b>	<b>426.5</b>	<b>(21.7)</b>	<b>404.8</b>
<b>Financial liabilities</b>					
Bank overdrafts	77.6	(82.8)	(5.2)	-	(5.2)
Forward foreign exchange contracts	-	(25.1)	(25.1)	15.4	(9.7)
Interest rate swaps	-	(6.5)	(6.5)	6.3	(0.2)
	<b>77.6</b>	<b>(114.4)</b>	<b>(36.8)</b>	<b>21.7</b>	<b>(15.1)</b>
<b>31 December 2014</b>					
<b>Financial assets</b>					
Cash at bank and in hand	342.5	(58.8)	283.7	-	283.7
Forward foreign exchange contracts	9.4	-	9.4	(5.3)	4.1
Interest rate swaps	104.7	-	104.7	(2.6)	102.1
	<b>456.6</b>	<b>(58.8)</b>	<b>397.8</b>	<b>(7.9)</b>	<b>389.9</b>
<b>Financial liabilities</b>					
Bank overdrafts	58.8	(64.4)	(5.6)	-	(5.6)
Forward foreign exchange contracts	-	(20.2)	(20.2)	5.3	(14.9)
Interest rate swaps	-	(10.0)	(10.0)	2.6	(7.4)
	<b>58.8</b>	<b>(94.6)</b>	<b>(35.8)</b>	<b>7.9</b>	<b>(27.9)</b>

**25. PROVISIONS**

	Note	Insurance €'m	Non-Trading Items €'m	Total €'m
<b>Group:</b>				
At 1 January 2014		68.8	93.9	162.7
Provided during the financial year		3.6	-	3.6
Utilised during the financial year		(2.3)	(54.8)	(57.1)
Transferred to payables and accruals		-	(10.4)	(10.4)
Exchange translation adjustment	30	3.2	3.5	6.7
At 31 December 2014		73.3	32.2	105.5
Provided during the financial year		<b>2.3</b>	<b>1.4</b>	<b>3.7</b>
Utilised during the financial year		<b>(5.0)</b>	<b>(9.8)</b>	<b>(14.8)</b>
Transferred to payables and accruals		-	<b>(6.5)</b>	<b>(6.5)</b>
Exchange translation adjustment	30	<b>2.9</b>	-	<b>2.9</b>
<b>At 31 December 2015</b>		<b>73.5</b>	<b>17.3</b>	<b>90.8</b>
			<b>2015</b>	2014
			<b>€'m</b>	<b>€'m</b>
<b>Analysed as:</b>				
Current liabilities			<b>31.7</b>	49.8
Non-current liabilities			<b>59.1</b>	55.7
			<b>90.8</b>	105.5

**Insurance**

The Group operates a level of self-insurance and under these arrangements the Group retains certain insurance exposure up to pre-determined self-insurance thresholds. These thresholds are reviewed on a regular basis to ensure they remain appropriate. The insurance provision represents amounts provided based on industry information, actuarial valuation and historical data in respect of claims that are classified as incurred but not reported and also the outstanding loss reserve. Both are covered by the Group's self-insurance schemes. The methodology of estimating the provision is periodically reviewed to ensure that the assumptions made continue to be appropriate. The utilisation of the provision is dependent on the timing of settlement of the outstanding claims. Historically, the average time for settlement of outstanding claims ranges from 3 - 6 years from claim date.

**Non-trading items**

Non-trading items relate primarily to restructuring provisions incurred in 2013, the majority of which related to redundancy and contract compensation owing to people who are in the process of transitioning out of the business. These costs are expected to be paid in the next 1 - 2 years.

**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.

The Group operates defined benefit post-retirement schemes in a number of countries in which it operates, primarily in Ireland and the Netherlands (Eurozone), the UK and the US (included in Rest of World). The defined benefit plans operated by the Group mostly include final salary pension plans but also include career average salary pension plans and post-retirement medical plans. The post-retirement medical plans are in respect of a number of the Group's US employees. Defined benefit schemes in Ireland, the UK, and the US are administered by Boards of Trustees. The Boards of Trustees comprise of representatives of the employees, the employer and independent trustees. These Boards are responsible for the management and governance of the plans including compliance with all relevant laws and regulations.

## 26. RETIREMENT BENEFITS OBLIGATION (continued)

The values used in the Group's financial statements are based on the most recent actuarial valuations and have been updated by the individual schemes' independent and professionally qualified actuaries to incorporate the requirements of IAS 19 'Employee Benefits' in order to assess the liabilities of the various schemes as at 31 December 2015 using the projected unit credit method. All assets in the schemes have been measured at their fair value at the balance sheet date. Full actuarial valuations for funding purposes are carried out for the Group's pension plans in line with local requirements. The actuarial reports are not available for public inspection.

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

### **Interest rate risk**

The calculation of the present value of the defined benefit obligation is sensitive to the discount rate 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. It also impacts 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 return a rate less than the discount rate this results in an increase in the net deficit. Currently the plans have a diversified portfolio of investments in equities, bonds and other types of investments. External investment consultants periodically conduct an investment review 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. An increase in inflation rates will increase the defined benefit obligation. A portion of the plan assets are inflation-linked debt securities which will mitigate some of the effects of inflation.

### **Mortality risk**

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

### **(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:

	2015 €'m	2014 €'m
Service cost:		
- Current service cost relating to defined contribution schemes	27.0	23.7
- Current service cost relating to defined benefit schemes	28.3	21.1
- Past service and settlement gains	(14.5)	(4.4)
Net interest cost	13.5	10.0
<b>Recognised in the Consolidated Income Statement</b>	<b>54.3</b>	<b>50.4</b>
Re-measurements of the net defined benefit liability:		
- Return on plan assets (excluding amounts included in net interest cost)	6.2	(64.9)
- Experience gains on schemes' liabilities	(49.5)	(16)
- Actuarial losses arising from changes in demographic assumptions	6.0	9.5
- Actuarial (gains)/losses arising from changes in financial assumptions	(103.8)	303.1
<b>Recognised in the Consolidated Statement of Comprehensive Income</b>	<b>(141.1)</b>	<b>246.1</b>
<b>Total</b>	<b>(86.8)</b>	<b>296.5</b>

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).

The past service and settlement gains of €14.5m in 2015 includes a gain of €10.5m (2014: €nil) in respect of deferred members who transferred out their benefits from the Irish and UK defined benefit plans.

**26. RETIREMENT BENEFITS OBLIGATION** (continued)**Pension levy**

During 2011, the Finance (No. 2) Act introduced an annual levy of 0.6% on the market value of assets held in pension schemes in Ireland from 2011 to 2014. In 2014 an additional levy of 0.15% was introduced resulting in a total levy for 2014 of 0.75%; with the levy for 2015 reduced to a rate of 0.15%. The levy is payable on the value of assets at the previous year end date. The levy paid during 2015 in respect of defined benefit members was **€0.5m** and was paid out of the pension funds in September 2015 (2014: €2.0m). The final levy payment in respect of the assets held at 31 December 2015 will be paid during 2016. The pension levy has been paid by the members of the defined contribution and additional voluntary contribution schemes and has been passed to the members of the defined benefit schemes through benefit reductions as resolved by the Trustees.

**(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:

	<b>31 December 2015 €'m</b>	31 December 2014 €'m
Present value of defined benefit obligation	<b>(1,576.0)</b>	(1,667.4)
Fair value of plan assets	<b>1,270.3</b>	1,194.6
<b>Net recognised deficit in plans before deferred tax</b>	<b>(305.7)</b>	(472.8)
Net related deferred tax asset	<b>52.4</b>	79.5
<b>Net recognised deficit in plans after deferred tax</b>	<b>(253.3)</b>	(393.3)

**(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:

	<b>2015</b>			<b>2014</b>		
	<b>Eurozone</b>	<b>UK</b>	<b>Rest of</b>	<b>Eurozone</b>	<b>UK</b>	<b>Rest of</b>
	<b>%</b>	<b>%</b>	<b>World</b>	<b>%</b>	<b>%</b>	<b>World</b>
Inflation assumption	<b>1.50</b>	<b>3.10</b>	<b>2.50</b>	1.30	3.00	2.50
Rate of increase in salaries	<b>1.80 - 2.50</b>	<b>3.10</b>	<b>3.00</b>	1.60 - 3.00	3.00	5.00
Rate of increase for pensions in payment and deferred pensions	<b>1.00 - 1.50</b>	<b>2.10 - 3.10</b>	-	1.00 - 1.30	2.00 - 3.00	-
Rate used to discount schemes' liabilities	<b>2.70</b>	<b>4.00</b>	<b>3.50 - 4.25</b>	2.20 - 2.30	3.70	3.65 - 4.00

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:

	<b>2015</b>			<b>2014</b>		
	<b>Eurozone</b>	<b>UK</b>	<b>Rest of</b>	<b>Eurozone</b>	<b>UK</b>	<b>Rest of</b>
	<b>Years</b>	<b>Years</b>	<b>World</b>	<b>Years</b>	<b>Years</b>	<b>World</b>
Male - retiring now	<b>20 - 24</b>	<b>21</b>	<b>21 - 23</b>	20 - 23	21	22 - 23
Female - retiring now	<b>23 - 26</b>	<b>23</b>	<b>23 - 24</b>	23 - 24	24	24 - 25
Male - retiring in 20 years' time	<b>22 - 26</b>	<b>23</b>	<b>23 - 24</b>	22 - 25	23	23 - 25
Female - retiring in 20 years' time	<b>25 - 28</b>	<b>25</b>	<b>25 - 26</b>	25 - 26	26	25 - 26

## 26. RETIREMENT BENEFITS OBLIGATION (continued)

### (iii) Financial and demographic assumptions (continued)

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

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 pensions 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, which is the same as that applied in calculating the defined benefit obligation recognised in the Consolidated Balance Sheet. The impact on the defined benefit obligation at 31 December 2015 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.

Assumption	Change in assumption	Impact on schemes' liabilities
Discount rate	Increase/decrease of 0.50%	Decrease/increase of 10.0%
Inflation rate	Increase/decrease of 0.50%	Increase/decrease of 8.0%
Salary increases	Increase/decrease of 0.50%	Increase/decrease of 2.5%
Pensions in payment and deferred pensions increases	Increase/decrease of 0.50%	Increase/decrease of 4.9%
Mortality	Increase/decrease in life expectancy of 1 year	Increase/decrease of 2.8%

### (iv) Reconciliations for defined benefit plans

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

	Note	2015 €'m	2014 €'m
Present value of the defined benefit obligation at beginning of the financial year		(1,667.4)	(1,256.9)
Current service cost		<b>(28.3)</b>	(21.1)
Past service gain		<b>4.0</b>	4.4
Settlement gain		<b>10.5</b>	-
Interest expense		<b>(53.4)</b>	(55.3)
Contributions by employees		<b>(7.9)</b>	(9.0)
Benefits paid		<b>53.2</b>	41.4
Re-measurements:			
- experience gains on schemes' liabilities		<b>49.5</b>	1.6
- actuarial losses arising from changes in demographic assumptions		<b>(6.0)</b>	(9.5)
- actuarial gains/(losses) arising from changes in financial assumptions		<b>103.8</b>	(303.1)
Decrease arising on settlement		<b>32.1</b>	-
Other movements		<b>(2.7)</b>	0.3
Exchange translation adjustment	30	<b>(63.4)</b>	(60.2)
<b>Present value of the defined benefit obligation at end of the financial year</b>		<b>(1,576.0)</b>	(1,667.4)
<b>Present value of the defined benefit obligation at end of the financial year that relates to:</b>			
Wholly unfunded plans		<b>(23.9)</b>	(26.3)
Wholly or partly funded plans		<b>(1,552.1)</b>	(1,641.1)
		<b>(1,576.0)</b>	(1,667.4)

**26. RETIREMENT BENEFITS OBLIGATION** (continued)**(iv) Reconciliations for defined benefit plans** (continued)

The weighted average duration of the defined benefit obligation at 31 December 2015 is approximately **21 years** (2014: approximately 23 years).

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

	Note	2015 €'m	2014 €'m
Fair value of plan assets at beginning of the financial year		1,194.6	1,004.8
Interest income		<b>39.9</b>	45.3
Contributions by employer		<b>71.2</b>	64.7
Contributions by employees		<b>7.9</b>	9.0
Benefits paid		<b>(53.2)</b>	(41.4)
Re-measurements:			
- return on plan assets (excluding amounts included in net interest cost)		<b>(6.2)</b>	64.9
Decrease arising on settlement		<b>(32.1)</b>	-
Exchange translation adjustment	30	<b>48.2</b>	47.3
<b>Fair value of plan assets at end of the financial year</b>		<b>1,270.3</b>	1,194.6

The actual return on plan assets during the financial year was **€33.7m** (2014: €110.2m).

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

	2015 €'m	2014 €'m
Equities	<b>817.3</b>	751.3
Government Fixed Income	<b>288.0</b>	273.8
Other Fixed Income	<b>108.5</b>	110.3
Fund of Hedge Funds	<b>52.2</b>	54.9
Other	<b>4.3</b>	4.3
<b>Total fair value of pension schemes' assets</b>	<b>1,270.3</b>	1,194.6

The majority of equity securities and bonds have quoted prices in active markets. In addition, a very high proportion of the underlying assets in the funds of hedge funds are in the form of quoted securities. The schemes' assets are invested with professional investment managers or in insurance contracts. Investments in the Group's own financial instruments, if any, are solely at the discretion of the investment managers concerned. The actual amount of the Group's own financial instruments held by the pension schemes during 2015 and 2014 were not material. No property held by the pension schemes was occupied by the Group nor were any other pensions schemes' assets used by the Group during 2015 or 2014.

There are a number of defined benefit pension plans being operated by the Group in a number of countries, and within some of these countries multiple plans are operated. 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.

Future accrual for the most significant plans is funded partly by the employees, where they are required to contribute a fixed percentage of pensionable salary; and partly by the Group's subsidiaries, being a percentage of pensionable salary as advised by the actuaries and agreed between the Group and the relevant Trustees. Deficit funding is carried out by cash contributions from the Group's subsidiaries. Similar to the funding of future accrual, these funding arrangements have been advised by the Group's actuaries and agreed between the Group and the relevant Trustees. It is the aim of the Group to eliminate the most significant deficits, being those in Ireland and the UK, on average over ten 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 US.

During the financial year ending 31 December 2016, the Group expects to make contributions of approximately €65.2m in relation to its defined benefit plans.

## 27. SHARE CAPITAL

	2015 €'m	2014 €'m
<b>Group and Company:</b>		
<b>Authorised</b>		
<b>280,000,000</b> A ordinary shares of 12.50 cent each	<b>35.0</b>	35.0
<b>Allotted, called-up and fully paid (A ordinary shares of 12.50 cent each)</b>		
At beginning of the financial year	22.0	22.0
Shares issued during the financial year	-	-
<b>At end of the financial year</b>	<b>22.0</b>	22.0

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

### Shares issued

During 2015 a total of **77,867** (2014: 83,524) A ordinary shares, each with a nominal value of 12.50 cent, were issued at nominal value per share under the Long Term Incentive Plan.

The total number of shares in issue at 31 December 2015 was **175,884,469** (2014: 175,806,602).

### Share buy back programme

At the 2015 Annual General Meeting shareholders passed a resolution authorising the Company to purchase up to 5% of its own issued share capital which was not exercised in the year. In 2015 and 2014 no shares were purchased under this programme.

## 28. SHARE-BASED PAYMENTS

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

The Group and the Company recognised an expense of **€9.0m** (2014: €8.9m) 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

#### 2006 Long Term Incentive Plan scheme

The Group operates an equity-settled Long Term Incentive Plan (LTIP), under which an invitation to participate was made to Executive Directors and senior executives. These invitations were made on six occasions between 2006 and 2013. No further conditional awards were made under this scheme after 2013. The proportion of each invitation which vests will depend on the Total Shareholder Return (TSR) and Adjusted Earnings Per Share (EPS) performance of the Group during a three year period ("the performance period"). A proportion of invitations made in 2012 vested during 2015.

Up to 50% of the shares/options subject to an invitation will vest according to the Group's TSR performance during the performance period measured against the TSR performance of a peer group of listed companies. The remaining 50% of the shares/options subject to an invitation will vest according to the Group's adjusted EPS growth performance compared with the inflation adjusted targets during the performance period. An invitation may lapse if a participant ceases to be employed within the Group before the vesting date.



**28. SHARE-BASED PAYMENTS** (continued)**(i) Long Term Incentive Plan** (continued)**2013 Long Term Incentive Plan scheme**

In 2013 the Group introduced a new Long Term Incentive Plan that replaced the old scheme entirely from 2014 onwards. An invitation to participate was made to Executive Directors and senior executives. The proportion of each invitation which vests, will depend on the Adjusted Earnings Per Share (EPS) performance, Total Shareholder Return (TSR) and Return on Average Capital Employed (ROACE) of the Group during a three year period ("the performance period"). The invitations made in 2013, 2014 and 2015 will potentially vest in 2016, 2017 and in 2018 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/options subject to an invitation will vest according to the Group's adjusted EPS growth compared with target during the performance period. Up to 30% of the shares/options subject to an invitation will vest according to the Group's TSR performance during the performance period measured against the TSR performance of a peer group of listed companies. The remaining 20% of the shares/options will vest according to the Group's ROACE versus predetermined targets. An invitation may lapse if a participant ceases to be employed within the Group before the vesting date.

Under the 2013 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 period ("the performance period") and the senior executives remaining within the Group for a four year period ("the retention period"). The invitations made in 2014 and 2015 will potentially vest in 2020 and in 2020/2021 respectively. An invitation may lapse if a participant ceases to be employed within the Group before the vesting date.

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

	Note	Number of Conditional Awards 2015	Number of Conditional Awards 2014
Outstanding at beginning of the financial year		752,766	478,802
Forfeited		<b>(32,187)</b>	(13,125)
Shares vested	27	<b>(52,148)</b>	(53,564)
Share options vested		<b>(42,299)</b>	(56,917)
New conditional awards		<b>409,244</b>	397,570
<b>Outstanding at end of the financial year</b>		<b>1,035,376</b>	752,766

	Note	Number of Share Options 2015	Number of Share Options 2014
<b>Share options arising under the LTIP</b>			
Outstanding at beginning of the financial year		239,348	212,391
Vested		<b>42,299</b>	56,917
Exercised	27	<b>(25,719)</b>	(29,960)
<b>Outstanding and exercisable at end of the financial year</b>		<b>255,928</b>	239,348

Share options under the LTIP scheme have an exercise price of 12.5 cent. The remaining weighted average life for share options outstanding is **3.92 years** (2014: 4.48 years). The weighted average share price at the date of exercise was **€53.06** (2014: €54.71).

## 28. SHARE-BASED PAYMENTS (continued)

### (i) Long Term Incentive Plan (continued)

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

	2013 LTIP Scheme			2006 LTIP Scheme	
	2015 Conditional Award at Grant Date	2014 Conditional Award at Grant Date	2013 Conditional Award at Grant Date	2013 Conditional Award at Grant Date	2012 Conditional Award at Grant Date
Conditional Award Invitation date	March 2015	March 2014	June/September 2013	March 2013	April 2012
Year of potential vesting	2018/2020/2021	2017/2020	2016	2016	2015
Share price at grant date	€64.92	€53.80	€43.28/€44.90	€46.49	€33.45
Exercise price per share/options	€0.125	€0.125	€0.125	€0.125	€0.125
Expected volatility	18.4%	20.8%	21.3%/21.4%	22.6%	25.5%
Expected life	3/5/6 years	3/6 years	3 years	3 years	3 years
Risk free rate	0.0%	0.4%	0.4%/0.5%	0.2%	0.6%
Expected dividend yield	0.8%	0.9%	1.0%	1.0%	1.1%
Expected forfeiture rate	5.0%	5.0%	5.0%	5.0%	5.0%
Weighted average fair value at grant date	€52.96/€61.74	€44.74/€50.47	€34.40/€35.25	€33.75	€26.99
Valuation model	Monte Carlo Pricing	Monte Carlo Pricing	Monte Carlo Pricing	Monte Carlo Pricing	Monte Carlo Pricing

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

### (ii) Short Term Incentive Plan

In 2013 the Group's Short Term Incentive Plan for Executive Directors was amended to incorporate a share-based payment element with 25% of the total bonus to be settled in shares/share options. The shares/options awarded as part of this scheme will be issued 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.

A share-based payment expense is recognised in the Consolidated Income Statement for the scheme to reflect the value of the bonus to be paid by way of shares/options. The first shares/options issued under the Short Term Incentive Plan, which relate to the 2013 financial year, vested in 2014 and will be deferred until 2016. The second tranche of the issuance of the shares/options under the Short Term Incentive Plan, which relate to the 2014 financial year, vested in 2015 and will be deferred until 2017. The third tranche of the issuance of the shares/options under the Short Term Incentive Plan, which relate to the 2015 financial year, vested in 2016 and will be deferred until 2018.

**29. CASH FLOW COMPONENTS**

	Notes	Group 2015 €'m	Group 2014 €'m	Company 2015 €'m	Company 2014 €'m
Profit before taxation		<b>602.8</b>	555.6	<b>226.2</b>	68.4
Intangible asset amortisation	12	<b>37.4</b>	28.0	-	-
Non-trading items	5	<b>(9.4)</b>	(0.1)	-	-
Finance income	6	<b>(1.8)</b>	(1.1)	-	-
Finance costs	6	<b>71.1</b>	54.0	-	-
<b>Trading profit</b>		<b>700.1</b>	636.4	<b>226.2</b>	68.4
<b>Change in working capital</b>					
Decrease in inventories		<b>45.4</b>	11	-	-
Increase in trade and other receivables		<b>(11.2)</b>	(52.4)	<b>(61.7)</b>	(1.6)
Increase/(decrease) in trade and other payables		<b>21.6</b>	(36.9)	<b>(91.7)</b>	(3.3)
Share-based payment expense	28	<b>9.0</b>	8.9	<b>9.0</b>	8.9
		<b>64.8</b>	(79.3)	<b>(144.4)</b>	4.0
<b>Purchase of assets</b>					
Purchase of property, plant and equipment		<b>(216.8)</b>	(229.5)	-	-
Purchase of assets classified as held for sale		<b>(0.5)</b>	(5.0)	-	-
Purchase of intangible assets	12	<b>(31.6)</b>	(35.6)	-	-
Purchase of financial assets	13	<b>(3.3)</b>	(4.0)	-	-
		<b>(252.2)</b>	(274.1)	-	-
<b>Cash and cash equivalents</b>					
Cash at bank and in hand	23	<b>236.4</b>	283.7	<b>0.1</b>	-
Bank overdrafts	23	<b>(5.2)</b>	(5.6)	<b>(0.7)</b>	(0.7)
		<b>231.2</b>	278.1	<b>(0.6)</b>	(0.7)

**30. EFFECT OF EXCHANGE TRANSLATION ADJUSTMENTS**

	Notes	2015 €'m	2014 €'m
<b>Group:</b>			
<b>Increase/(decrease) in assets</b>			
Property, plant and equipment	11	<b>53.4</b>	72.4
Intangible assets	12	<b>66.2</b>	103.9
Financial asset investments	13	<b>2.8</b>	2.5
Inventories		<b>23.6</b>	44.8
Trade and other receivables		<b>10.7</b>	36.5
Cash at bank and in hand		<b>0.5</b>	7.8
Assets classified as held for sale		<b>0.9</b>	1.3
<b>(Increase)/decrease in liabilities</b>			
Trade and other payables		<b>(60.6)</b>	(77.4)
Tax liabilities		<b>(1.1)</b>	(2.2)
Financial liabilities		<b>(92.4)</b>	(96.6)
Retirement benefits obligation	26	<b>(15.2)</b>	(12.9)
Other non-current liabilities		<b>(10.7)</b>	(2.1)
Deferred tax liabilities	17	<b>(0.3)</b>	(6.2)
Provisions	25	<b>(2.9)</b>	(6.7)
Deferred income	21	<b>(0.5)</b>	(0.5)
Retained earnings		<b>(0.7)</b>	3.3
Cumulative exchange difference on translation recycled on disposal	5	<b>0.8</b>	0.4
		<b>(25.5)</b>	68.3

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

**31. BUSINESS COMBINATIONS**

During 2015, the Group completed a total of ten acquisitions, all of which are 100% owned by the Group.

	Notes	Red Arrow Products 2015 €'m	Other Acquisitions 2015 €'m	Total 2015 €'m
<b>Recognised amounts of identifiable assets acquired and liabilities assumed:</b>				
<i>Non-current assets</i>				
Property, plant and equipment	11	16.2	45.0	61.2
Brand related intangibles	12	199.0	178.3	377.3
<i>Current assets</i>				
Cash at bank and in hand		0.5	9.8	10.3
Inventories		11.5	49.7	61.2
Trade and other receivables		14.7	31.9	46.6
<i>Current liabilities</i>				
Trade and other payables		(6.7)	(32.1)	(38.8)
<i>Non-current liabilities</i>				
Other non-current liabilities		-	(33.9)	(33.9)
<b>Total identifiable assets</b>		<b>235.2</b>	<b>248.7</b>	<b>483.9</b>
Goodwill	12	201.7	207.6	409.3
<b>Total consideration</b>		<b>436.9</b>	<b>456.3</b>	<b>893.2</b>

**Satisfied by:**

Cash	892.0
Deferred payment	1.2
	<b>893.2</b>

	Total 2015 €'m
<b>Net cash outflow on acquisition:</b>	
Cash	892.0
Less: cash and cash equivalents acquired	(10.3)
Plus: debt acquired	6.4
	<b>888.1</b>

The acquisition method of accounting has been used to consolidate the businesses acquired in the Group's financial statements. Given that the valuation of the fair value of assets and liabilities recently acquired is still in progress, the above values are determined provisionally. For the acquisitions completed in 2014, there have been no material revisions of the provisional fair value adjustments since the initial values were established.

The goodwill is attributable to the expected profitability, revenue growth, future market development and assembled workforce of the acquired businesses, and the synergies expected to arise within the Group after the acquisition. **€279.5m** of goodwill recognised is expected to be deductible for income tax purposes.

Transaction expenses related to these acquisitions of **€6.2m** 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 **€46.6m** and a gross contractual value of **€51.3m**.

### 31. BUSINESS COMBINATIONS (continued)

The following acquisitions were completed by the Group during 2015:

Acquisition	Acquired	Principal activity
Rollover	January	Rollover operates in the UK 'hot-to-go' market with a strong position in the foodservice channel in consumer foods.
Insight Beverages	May	Insight Beverages is a leading supplier of custom beverage solutions to the foodservice and convenience store channels in North American markets.
KFI Savory	June	KFI Savory, the former U.S. based savoury flavour business of Kraft Food Ingredients, an industry leader in grilled flavours including authentic savoury flavours with natural and specialty grill flavours.
Baltimore Spice	July	Baltimore Spice is a Costa Rican based spices, seasonings and condiments producer strengthening Kerry's market positioning in the culinary and snack sectors in Central America.
Wellmune	September	Biothera Inc's business produces and markets the unique Wellmune® branded natural food, beverage and supplement ingredient clinically proven to strengthen the immune system.
Island Oasis	September	Island Oasis is a leading provider of all-natural premium cocktail mixes and customised beverage solutions serving 'on-premise', restaurant, leisure and hospitality segments of the U.S. market.
Red Arrow Products	December	Red Arrow Products is a leading supplier of natural smoke flavours and authentic natural savoury grill flavours serving meat, culinary and food industry markets worldwide.
Other acquisitions	Various	The Group also acquired three smaller acquisitions in the European taste and nutrition market.

From the date of acquisition, the acquired businesses have contributed **€133.0m** of revenue and **€5.8m** of profit after taxation and 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 **€403.0m** of revenue and **€23.3m** of profit after taxation and attributable to owners of the parent to the Group.

### 32. CONTINGENT LIABILITIES

	2015 €'m	2014 €'m
<b>Company:</b>		
(i) Guarantees in respect of borrowings of subsidiaries	<b>2,018.2</b>	1,543.3

- (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 37, in respect of all amounts shown as liabilities 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 2015 or any amended financial period incorporating the said financial year. The Company has given similar indemnities in relation to its subsidiaries in Luxembourg and the Netherlands (Article 70 of the Luxembourg law of 19 December 2002 as amended and Article 2 of the Dutch Civil Code), as set out in note 37. In addition, the Company has also availed of the exemption from filing subsidiary financial statements in Luxembourg.

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

**33. OTHER FINANCIAL COMMITMENTS**

- (i) 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:

	<b>2015</b>	2014
	<b>€'m</b>	€'m
<b>Group:</b>		
Commitments in respect of contracts placed	<b>30.2</b>	64.7
Expenditure authorised by the Directors but not contracted for at the financial year end	<b>64.8</b>	61.0
	<b>95.0</b>	125.7

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

	<b>2015</b>	2014
	<b>€'m</b>	€'m
Within 1 year	<b>24.1</b>	30.8
Within 2 to 5 years	<b>35.7</b>	59.5
After 5 years	<b>16.0</b>	20.5
	<b>75.8</b>	110.8

The operating lease charges during 2015 amounted to **€29.9m** (2014: €35.7m).

The Group leases various buildings, plant and machinery, and motor vehicles under non-cancellable lease arrangements. The Group has a number of leases but none of these leases are individually material. The leases have various terms, escalation clauses and renewal rights. The leases typically range from less than 1 year to 65 years.



### 34. RELATED PARTY TRANSACTIONS

#### (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 **€0.3m** (2014: €1.1m) and **€0.1m** (2014: €0.3m) respectively. The trading balance outstanding to the Group at the financial year end was **€0.00m** (2014: €0.02m).

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 **€241.0m** (2014: €77.0m), cost recharges of **€10.9m** (2014: €4.8m), and trade and other receivables of **€63.3m** (2014: €1.6m). The Parent Company has also provided a guarantee in respect of borrowings of subsidiaries which is disclosed in note 32.

#### (iii) Trading with associate company

Details of transactions and balances outstanding with associate are as follows:

	Rendering of services		Purchase of goods		Amounts receivable/(payable) at 31 December	
	2015	2014	2015	2014	2015	2014
	€'m	€'m	€'m	€'m	€'m	€'m
Associate	1.0	0.6	(4.0)	(5.2)	0.9	(1.3)

These trading transactions are undertaken and settled at normal trading terms. No loans were advanced in 2015 and no interest was received. In 2014 the Group advanced loans of €9.9m, on terms equivalent to an arms length transaction, to the associate company of which interest income amounted to €0.1m and these loans were fully settled in the prior year. No guarantees are given or received by either party.

#### (iv) Trading with other related parties

Kerry Co-operative Creameries Limited is considered to be a related party of the Group as a result of its significant shareholding in the Parent Company and the number of Directors in common, as detailed in the Directors' Report. During 2015, dividends of **€11.2m** (2014: €10.0m) were paid to Kerry Co-operative Creameries Limited based on its shareholding.

#### (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. The Directors also participate in the Group's Long Term Incentive Plan (LTIP) (note 26 and 28).

Remuneration cost of key management personnel is as follows:

	2015 €'m	2014 €'m
Short-term benefits (salaries, fees and other short-term benefits)	5.8	4.8
Post-retirement benefits	0.7	0.7
LTIP accounting charge	3.2	3.2
Other long-term benefits	-	-
Termination benefits	-	-
<b>Total</b>	<b>9.7</b>	<b>8.7</b>

Retirement benefits of **€0.2m** (2014: €0.2m) are accruing to 4 directors (2014: 4 directors) under a defined benefit scheme and benefits of **€0.5m** (2014: €0.5m) to 2 directors (2014: 2 directors) under a defined contribution scheme. The LTIP accounting charge includes **€2.2m** (2014: €2.1m) in relation to share awards under the LTIP scheme.

Details of the remuneration of the Group's individual Directors, together with the number of Kerry Group plc shares/options owned by them and their interest in the LTIP are set out in the Governance Report on pages 91 to 99.

Dividends totalling **€0.1m** (2014: €0.2m) were also received by key management personnel during the financial year, based on their personal interests in the shares of the company.

**35. EVENTS AFTER THE BALANCE SHEET DATE**

Since the financial year end, the Group has proposed a final dividend of **35.00** cent per A ordinary share (note 10).

There have been no other significant events, outside the ordinary course of business, affecting the Group since 31 December 2015.

**36. RESERVES*****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 renominatising the share capital of the Parent Company due to the euro conversion in 2002.

***Share-based payment reserve***

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

***Translation reserve***

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

***Hedging reserve***

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

***Retained earnings***

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

### 37. PRINCIPAL SUBSIDIARIES

Country	Company Name	Nature of Business	Registered Office
Ireland	Breeo Brands Limited	Consumer Foods	1
	Breeo Enterprises Limited	Consumer Foods	1
	Breeo Foods Limited	Consumer Foods	1
	Carteret Investments	Investment	1
	Charleville Research Limited	Services	1
	Cuarto Limited	Taste & Nutrition	1
	Dawn Dairies Limited	Consumer Foods	1
	Denny Foods Limited	Investment	1
	Duffy Meats Limited	Consumer Foods	1
	Dynaboo Limited	Consumer Foods	1
	Fambee Limited	Consumer Foods	1
	Glenealy Farms (Turkeys) Limited	Consumer Foods	1
	Golden Vale Clare Limited	Investment	1
	Golden Vale Dairies Limited	Agribusiness	1
	Golden Vale Food Products Limited	Taste & Nutrition	1
	Golden Vale Holdings Limited	Investment	1
	Golden Vale Investments Limited	Investment	1
	Golden Vale Limerick Limited	Consumer Foods	1
	Golden Vale Limited	Investment	1
	Henry Denny & Sons (Ireland) Limited	Consumer Foods	1
	Kerry Agribusiness Holdings Limited	Investment	1
	Kerry Agribusiness Trading Limited	Agribusiness	1
	Kerry Creameries Limited	Agribusiness	1
	Kerry Food Ingredients (Cork) Limited	Taste & Nutrition	1
	Kerry Group Business Services Limited	Services	1
	Kerry Group Financial Services	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
	Lifeforce Foods Research Limited	Consumer Foods	1
	National Food Ingredients Limited	Taste & Nutrition	1
	Newmarket Co-operative Creameries Limited	Taste & Nutrition	1
	Newmarket Marketing Company Limited	Taste & Nutrition	1
	Pixundo Limited	Consumer Foods	1
	Plassey Holdings Limited	Investment	1
	Platters Food Company Limited	Consumer Foods	1
	Princemark Holdings Limited	Services	1
	Quandu Limited	Consumer Foods	1
	Rye Developments Limited	Services	1

**37. PRINCIPAL SUBSIDIARIES** (continued)

<b>Country</b>	<b>Company Name</b>	<b>Nature of Business</b>	<b>Registered Office</b>
Ireland	Rye Investments Limited	Consumer Foods	1
	Rye Valley Foods Limited	Consumer Foods	1
	Snowcream (Midlands) Limited	Agribusiness	1
	Selamor Limited	Consumer Foods	1
	Tacna Investments Limited	Investment	1
	Trundu Limited	Consumer Foods	1
	William Blake Limited	Taste & Nutrition	1
	Zenbury International Limited	Services	1
UK	Henry Denny & Sons (NI) Limited	Consumer Foods	2
	Dairy Produce Packers Limited	Taste & Nutrition	3
	Golden Cow Dairies Limited	Consumer Foods	3
	Golden Vale (NI) Limited	Investment	3
	Leckpatrick Dairies Limited	Consumer Foods	3
	Leckpatrick Holdings Limited	Investment	3
	Kerry Foods Limited	Consumer Foods	4
	Kerry Holdings (U.K.) Limited	Investment	4
	Kerry Savoury Foods Limited	Consumer Foods	4
	Noon Group Limited	Consumer Foods	4
	Noon Products Limited	Consumer Foods	4
	Rollover Holdings Limited	Consumer Foods	4
	Rollover Group Limited	Consumer Foods	4
	Rollover Limited	Consumer Foods	4
	EBI Foods Limited	Taste & Nutrition	5
	Gordon Jopling (Foods) Limited	Taste & Nutrition	5
	Kerry Ingredients (U.K.) Limited	Taste & Nutrition	5
	Kerry Ingredients Holdings (U.K.) Limited	Investment	5
	Titusfield Limited	Taste & Nutrition	5
	Kerry Flavours UK Limited	Taste & Nutrition	5
	Spicemanns Limited	Taste & Nutrition	6
Belgium	Kerry Holdings Belgium	Taste & Nutrition	7
Netherlands	Kerry (NL) B.V.	Taste & Nutrition	8
	Kerry Group B.V.	Investment	8
	Kerry Netherlands Services B.V.	Investment	8
Czech Republic	Kerry Ingredients & Flavours s.r.o.	Taste & Nutrition	9
France	Kerry Ingredients France S.A.S.	Taste & Nutrition	10
	Kerry Ingredients Holdings (France) S.A.S.	Investment	10
	Kerry Savoury Ingredients France S.A.S.	Taste & Nutrition	11
	Kerry Flavours France S.A.S.	Taste & Nutrition	11
Germany	Kerry Food GmbH	Taste & Nutrition	12
	Kerry Ingredients GmbH	Taste & Nutrition	12
	SuCrest GmbH	Taste & Nutrition	13
	Vicos Nahrungsmittel GmbH	Taste & Nutrition	13
	Red Arrow Handels GmbH	Taste & Nutrition	14
Belarus	Vitella Vitebsk	Taste & Nutrition	15
Denmark	Crema Ingredients A/S	Taste & Nutrition	16
Italy	Kerry Ingredients & Flavours Italia S.p.A.	Taste & Nutrition	17

**37. PRINCIPAL SUBSIDIARIES** (continued)

Country	Company Name	Nature of Business	Registered Office
Poland	Kerry Polska Sp. z o.o.	Taste & Nutrition	18
Hungary	Kerry Hungaria KFT.	Taste & Nutrition	19
Luxembourg	Kerry Luxembourg S.a.r.l.	Services	20
	Zenbury International Limited S.a.r.l.	Services	20
Romania	Kerry Romania s.r.l.	Taste & Nutrition	21
Russia	Kerry LLC	Taste & Nutrition	22
South Africa	Kerry Ingredients South Africa (Pty) Limited	Taste & Nutrition	23
	Orley Foods (Proprietary) Limited	Taste & Nutrition	24
Slovakia	Dera SK s.r.o.	Taste & Nutrition	25
Sweden	Taber AB	Taste & Nutrition	26
Ukraine	Dera Limited	Taste & Nutrition	27
US	Kerry Holding Co.	Investment	28
	Kerry, Inc.	Taste & Nutrition	28
	Insight Beverages, Inc.	Taste & Nutrition	29
	Red Arrow International LLC	Taste & Nutrition	29
	Island Oasis Manufacturing LLC	Taste & Nutrition	30
Canada	Kerry (Canada) Inc.	Taste & Nutrition	31
Mexico	Kerry Ingredients (de Mexico) S.A. de C.V.	Taste & Nutrition	32
Brazil	Kerry do Brasil Ltda.	Taste & Nutrition	33
	Kerry da Amazonia Ingredientes e Aromas Ltda.	Taste & Nutrition	34
	Junior Alimentos Indústria e Comércio S.A.	Taste & Nutrition	35
Costa Rica	Prima S.A. de C.V.	Taste & Nutrition	36
	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 Panamá S.A.	Taste & Nutrition	40
Guatemala	Baltimore Spice Guatemala S.A.	Taste & Nutrition	41
El Salvador	Baltimore Spice de El Salvador S.A. de C.V.	Taste & Nutrition	42
Thailand	Kerry Ingredients (Thailand) Limited	Taste & Nutrition	43
Philippines	Kerry Food Ingredients (Philippines), Inc.	Taste & Nutrition	44
	Kerry Manufacturing Philippines, Inc.	Taste & Nutrition	45
Singapore	Kerry Ingredients (S) Pte Limited	Taste & Nutrition	46
Malaysia	Kerry Ingredients (M) Sdn. Bhd.	Taste & Nutrition	47
Japan	Kerry Japan Kabushiki Kaisha	Taste & Nutrition	48
China	Kerry Food Ingredients (Hangzhou) Company Limited	Taste & Nutrition	49
	Kerry Ingredients Trading (Shanghai) Company Limited	Taste & Nutrition	50
	Kerry Food (Nantong) Company Limited	Taste & Nutrition	51
Indonesia	PT Kerry Ingredients Indonesia	Taste & Nutrition	52
India	Kerry Ingredients India Private Limited	Taste & Nutrition	53
Australia	Kerry Ingredients Australia Pty Limited	Taste & Nutrition	54
New Zealand	Kerry Ingredients (NZ) Limited	Taste & Nutrition	55
Korea	Kerry Ingredients Korea LLC	Taste & Nutrition	56

**Notes**

- (1) All principal subsidiaries are wholly owned.
- (2) Country represents country of incorporation and operation. Ireland refers to the Republic of Ireland.
- (3) With the exception of the US, Canadian and Mexican subsidiaries, where the holding is in the form of common stock, all holdings are in the form of ordinary shares.

**37. PRINCIPAL SUBSIDIARIES** (continued)**Registered Office**

- 1 Prince's Street, Tralee, Co. Kerry, Ireland.
- 2 6 Corcraín Road, Portadown, Craigavon, Co. Armagh NT32 3UF, Northern Ireland.
- 3 Milburn Road, Coleraine, Co. Londonderry BT52 1QZ, Northern Ireland.
- 4 Thorpe Lea Manor, Thorpe Lea Road, Egham, Surrey TW20 8HY, England.
- 5 Bradley Road, Royal Portbury Dock, Bristol BS20 7NZ, England.
- 6 9 Kelvin Avenue, Hillington, Glasgow G52 4LR, Scotland.
- 7 Woestijnstraat 37, 2880 Bornem, Belgium.
- 8 Maarssenbroeksedijk 2a, 3542 DN Utrecht, The Netherlands.
- 9 Marikova, 36 Brno, Czech Republic.
- 10 Quartier Salignan, 84400 Apt en Provence, France.
- 11 26 Rue Jacques Prevert, 59650 Villeneuve d'Ascq, France.
- 12 Hauptstrasse 22-26, D-63924 Kleinheubach, Germany.
- 13 Neckarstraße 9, 65239 Hochheim/Main, Germany.
- 14 Hanna-Kunath-Strasse 25, 28199, Bremen, Germany.
- 15 Ul. P Browki 44, 210605 Vitebsk, Republic of Belarus.
- 16 Toftøgardsvej 3, DK-5620, Glamsbjerg, Denmark.
- 17 Via Cappitani Di Mozzo 12/16, 24030 Mozzo (BG), Italy.
- 18 25-558 Kielce, Ul. Zagnanska 97a, Kielce, Poland.
- 19 2045 Torokbalint, FSD Park 2, Hungary.
- 20 17 Rue Antoine Jans, L-1820 Luxembourg, Grand-Duchy of Luxembourg.
- 21 Sectorul 3, 42 Dudești-Pantelimon Road, 033094 Bucharest, Romania.
- 22 Office 901-B, Building 1, 16/2 Tverskaya Street, Moscow, 125009, Russia.
- 23 Block 3, 4-6 Lucas Drive, Hillcrest, Durban, Kwazulu-Natal, South Africa.
- 24 15a Chain Avenue, Montague Gardens, Cape Town, South Africa.
- 25 Sancova 50, 811 04 Bratislava, Slovakia.
- 26 Box 3011, 183 03, Taby, Stockholm, Sweden.
- 27 4 Korolenkivska str., Kiev, Ukraine.
- 28 1209 Orange Street, Wilmington, Delaware 19808, US.
- 29 635 Oakwood Road, Lake Zurich IL 60047, US.
- 30 155 Federal Street, Suite 700, Boston, MA 02110, US.
- 31 Suite 3600, 55 King Street West, Toronto-Dominion Bank Tower, Toronto, M5K 1N6, Ontario, Canada.
- 32 Carr. Panamericana, Salamanca Km 11.2, 36660 Irapuato, Guanajuato, Mexico.
- 33 Rua Cristiano Alves da Silva, 15 Parque Jussara, Tres Coracoes MG, Brazil.
- 34 Av. Djalma Batista, no. 1661, Millennium Shopping Mall, Business Tower, Cidade De Manaus, Estado do Amazonas, Brazil.
- 35 Rua Vinte e Um de Abril, 221 - Rod. Raposo Tavares Km 30,9 - Jardim Barro Branco, Cotia - SP, Brazil.
- 36 200 metros al este del Banco Nacional en la Uruca Contiguo a la Bomba Shell, San José, Costa Rica.
- 37 Del Liceo de Pavas 200 Oeste, 100 Norte Zip Code 1035-1200, San José, Costa Rica.
- 38 Isidora Goyenechea 2800, Piso 43, Las Condes, Santiago, Chile.
- 39 CR 7 NO. 71 52 TO A P 5, Bogotá, 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 Condominio Edificio Gran Plaza Of 401 Col. San Benito. Boulevard El Hipodromo, San Salvador, El Salvador.

### 37. PRINCIPAL SUBSIDIARIES (continued)

#### *Registered Office (continued)*

- 43 No 618, Moo 4, Bangpoo Industrial Estate, Praksa Sub District, Muang District, Samutprakarn Province, Thailand.
- 44 GF/SFB#1, Mactan Economic Zone 1, Lapulapu City, Cebu, Philippines.
- 45 5th Ave Bgc, Taguig, Metro Manila, Philippines.
- 46 8 Biomedical Grove, #02-01/04 Neuros, Singapore 138665, Singapore.
- 47 Suite 1301, 13th Floor, City Plaza, Jalan Tebrau, 80300 Johor Bahru, Johor, Malaysia.
- 48 Kamiyacho Sankei Building. 2F, 1-7-2, Azabudai 1-chome, Minato-ku, Tokyo 106-0041, Japan.
- 49 Renhne Industry Zone, Jiulong Village, Hangzhou, China.
- 50 Room 248, Ximmao Building, 2 Tai Zhong Road South, Waigaoqiao Free Trade Zone, Shanghai, China.
- 51 North side of Xiang, Jiang Road, RuDong County, Nantong, China.
- 52 JL Industri Utama Blok SS No. 6, Jababeka II Mekarmukti, Cikarang Utara, Bekasi 17520, Indonesia.
- 53 17th Floor, Nirmal Building, Nariman Point, Mumbai 400 021, India.
- 54 No 8 Holker Street, Newington, NSW 2127, Australia.
- 55 11-13 Bell Avenue, Otahuhu, Auckland, New Zealand.
- 56 2th Fl., Sheenbang Bldg, 1366-18, Seocho-dong, Seocho-Gu, Seoul, 137-863, Republic of Korea.



# Supplementary Information

(Not Covered by  
Independent Auditors' Report)

# Financial Definitions

## 1. REVENUE

### Volume growth

This represents the sales volume growth year-on-year from ongoing business, excluding volumes from acquisitions net of disposals. A full reconciliation to reported revenue growth is detailed in the revenue reconciliation below.

### Revenue Reconciliation

	Volume growth	Price	Transaction currency	Translation currency	Acquisitions / Disposals	Reported revenue growth
Taste & Nutrition	4.0%	(2.3%)	0.0%	6.9%	0.1%	<b>8.7%</b>
Consumer Foods	3.0%	(1.9%)	0.4%	6.6%	(10.3%)	<b>(2.2%)</b>
Group	3.8%	(2.2%)	0.1%	6.9%	(2.5%)	<b>6.1%</b>

## 2. EBITDA

EBITDA represents profit after taxation and attributable to owners of the parent before finance income and costs, income taxes, depreciation (net), intangible asset amortisation and non-trading items.

	2015 €'m	2014 €'m
<b>Profit after taxation and attributable to owners of the parent</b>	<b>525.4</b>	479.9
Finance income	<b>(1.8)</b>	(1.1)
Finance costs	<b>71.1</b>	54.0
Income taxes	<b>77.4</b>	75.7
Non-trading items	<b>(9.4)</b>	(0.1)
Intangible asset amortisation	<b>37.4</b>	28.0
Depreciation (including impairment)	<b>128.4</b>	105.8
<b>EBITDA</b>	<b>828.5</b>	742.2

## 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 considered to hinder comparison of the trading performance of the Group's businesses, either year-on-year or with other businesses.

## 4. TRADING MARGIN

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

## 5. NON-TRADING ITEMS

Non-trading items refers to 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 acquisition transaction costs and material acquisition integration and restructuring costs. It is determined by management that each of these items relate to events or circumstances that are non-recurring in nature.

## 6. OPERATING PROFIT

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

## 7. OTHER EXTERNAL CHARGES

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

## 8. OTHER OPERATING CHARGES

Other operating charges primarily refers to manufacturing and warehousing costs.

## 9. ADJUSTED EARNINGS PER SHARE

In addition to the basic and diluted earnings per share, an adjusted earnings per share is also provided as it is considered more reflective of the Group's underlying trading performance. Adjusted earnings is profit after taxation and 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 is provided in note 9 of these consolidated financial statements.

	2015 EPS cent	2014 EPS cent
Basic earnings per share	298.7	273.0
Brand related intangible asset amortisation	10.6	8.2
Non-trading items (net of related tax)	(7.4)	(2.3)
<b>Adjusted earnings per share</b>	<b>301.9</b>	<b>278.9</b>

## 10. FREE CASH FLOW

Free Cash Flow is trading profit plus depreciation, movement in average working capital, capital expenditure, pension 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 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. Movement in average working capital measures more accurately fluctuations caused by seasonality and other timing factors. Below is a reconciliation of free cash flow to the nearest IFRS measure, which is "Net cash from operating activities".

	2015 €'m	2014 €'m
<b>Net cash from operating activities</b>	<b>721.3</b>	469.0
Difference between movement in average working capital and movement in the financial year end working capital	(66.4)	20.1
Expenditure on acquisition integration and restructuring costs	26.4	74.5
Purchase of assets	(252.2)	(274.1)
Proceeds from the sale of property, plant and equipment	12.7	15.9
Capital grants received	10.1	0.8
Exchange translation adjustment	0.7	(3.3)
<b>Free cash flow</b>	<b>452.6</b>	302.9

## 11. FINANCIAL RATIOS

The Net debt: EBITDA and EBITDA: Net interest ratios disclosed are calculated in accordance with lender's 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 and deferred payments in relation to acquisitions. As outlined on page 141 these ratios are calculated in accordance with lender's facility agreements and these agreements specifically exclude these items from the calculation.

## 12. RETURN ON AVERAGE EQUITY (ROAE)

This measure is defined as profit after tax and attributable to owners of the parent before non-trading items (net of tax) and brand related intangible asset amortisation expressed as a percentage of average equity. Average equity is calculated by taking the average shareholders' funds over a 12 month period plus an additional €528m relating to goodwill written off to reserves pre conversion to IFRS.

## 13. RETURN ON AVERAGE CAPITAL EMPLOYED (ROACE)

This measure is defined as profit after tax and attributable to owners of the parent before non-trading items (net of tax), brand related intangible asset amortisation and finance income and costs / Average Capital Employed. Average capital employed is calculated by taking the average shareholders' funds and net debt over a 12 month period plus an additional €528m relating to goodwill written off to reserves pre conversion to IFRS.

**14. CASH FLOW RETURN ON INVESTMENT (CFROI)**

CFROI is calculated as free cash flow before finance costs (net) expressed as a percentage of average capital employed. Average capital employed for the CFROI calculation is the same as that used for ROACE.

**15. TOTAL SHAREHOLDER RETURN (TSR)**

Total shareholder return (TSR) represents the change in the capital value of Kerry Group shares plus dividends reinvested in the year.

**16. MARKET CAPITALISATION**

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

**17. ENTERPRISE VALUE**

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



