

INDEPENDENT AUDITORS' REPORT
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TO THE MEMBERS OF KERRY GROUP PLC

Report on the audit of the financial statements

Opinion

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

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

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

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

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

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

Separate opinion in relation to IFRSs as issued by the IASB

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

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

Basis for opinion

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

Independence

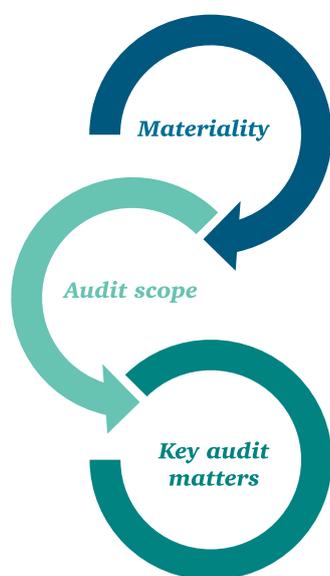
We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in Ireland, which includes IAASA's Ethical Standard as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in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

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

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

Our Audit Approach

Overview



Materiality

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

Audit scope

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

Key audit matters

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

The scope of our audit

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

Key audit matters

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

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

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

How we tailored the audit scope

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

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

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

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

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

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

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

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

Materiality

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

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

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

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

Going concern

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

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

Reporting on other information

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

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

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

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

Directors' Report

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

Corporate governance statement

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

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

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

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

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

Other Code provisions

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

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

This description forms part of our auditors' report.

Use of this report

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

Other required reporting

Companies Act 2014 opinions on other matters

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

Other exception reporting

Directors' remuneration and transactions

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

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

Prior financial year Non Financial Statement

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

Appointment

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



John McDonnell

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

17 February 2020