Froneri Limited

Annual report and financial statements

Registered number 10136349

31 December 2017

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Strategic report

Overview of the business

On 1 October 2016, following the successful conclusion of the required regulatory clearances, the entire activities of R&R Ice Cream plc ("R&R") and part of the ice cream and frozen food businesses of Nestlé SA ("Nestlé") were merged in a new joint venture vehicle, Froneri Limited ("Froneri" or the "group").

The joint venture, which is owned and controlled in equal shares between R&R's previous owners, the private equity firm PAI Partners ("PAI"), and Nestlé, brings together decades of business and manufacturing know-how. Nestlé and R&R have a longstanding and successful relationship, with R&R operating Nestlé brands in the UK since 2001 and subsequently in Australia and South Africa, businesses which were previously owned by Nestlé.

Froneri operates in Europe, Egypt, South Africa, Brazil, Argentina, Australia and the Philippines. The group predominantly produces ice cream, and to a lesser extent, frozen food and chilled dairy products. Froneri is the second largest manufacturer of ice cream in Europe and the third largest manufacturer of ice cream globally.

The group primarily produces take-home ice cream products, including ice cream tubs and multi-packs of ice cream cones, ice lollies, ice cream sticks and ice cream desserts, and impulse products, which individuals buy for immediate consumption. The frozen food business is strongly interlinked with the ice cream business from both a manufacturing and sales perspective, providing opportunities in the out-of-home segment. Key offerings include frozen bakery, prepared meals, vegetables, meat and fish, which are sold in certain of the geographies where the links between frozen food and ice cream are extensive. The chilled dairy business is based in the Philippines and is highly interconnected with the ice cream business.

Froneri is headquartered in the UK and operates 26 factories in 16 countries. Total ice cream production capacity is approximately 2 billion litres per year and Froneri employs over 10,000 people in five continents. Twelve of these plants are in the five largest ice cream markets in Europe (the UK, Germany, France, Spain and Italy). The group has longstanding relationships with key retailers across Europe, Australia and Africa in its take-home business, and within the out-of-home business the group has a combination of well-established distributor, wholesale and direct-store-delivery relationships.

The group has a highly attractive brand and product portfolio that is well-balanced between branded and private label businesses. Froneri combines local brands, which are strong in national markets, with international brands, including licences for well-known brands under the Nestlé and Mondelēz umbrella. Nestlé licenced brands include Mövenpick, Maxibon, Pirulo, Extrême and numerous local brands. Mondelēz brands include Oreo, Milka, Daim, Toblerone and numerous brands under the Cadbury name. Across selected countries in Europe, southern Africa and the Middle East, Latin America and Asia Pacific, exclusive international licence agreements enable the group to produce and sell ice cream products under established brand names and to maintain strong sales volumes as consumer demand shifts between branded and private label products.

Rationale for the merger

The merger capitalised on the complementary strengths and innovation expertise of the parties. It combined Nestlé's strong and successful brands and experience in 'out-of-home' distribution with R&R's competitive manufacturing model and significant presence in retail. R&R has focused on large, stable take-home markets and highly efficient manufacturing operations to gain key advantages over its competitors which are generally smaller and only offer regional distribution. Nestlé's ice cream businesses, focused largely on the impulse sector, provide a different route to market and a much higher number of points of sale.

Strategic report *(continued)*

Rationale for the merger *(continued)*

The merger means Froneri is now a leader in the global ice cream market, with powerful positions in more than 20 markets globally and is the number one producer of private label ice cream. The group is well positioned, with a proven and experienced management team, to exploit opportunities and to capture significant cost synergies and enhance margins, as well as, driving opportunities to grow sales from key brands.

During 2017 the group has already made significant progress including: (1) in pursuing revenue growth opportunities; (2) optimising its cost base through implementing restructuring plans and cost saving initiatives ; (3) putting in place strong organisational foundations (including the roll out of a common accounting system across many of its markets); and (4) investing in talented people.

Performance summary

Froneri Limited was incorporated on 20 April 2016. The merger of the former R&R and Nestlé ice cream and frozen food businesses was completed on 30 September 2016, and Froneri commenced trading with effect from 1 October 2016. This means that the comparative period represents a three-month period ended 31 December 2016 compared to a twelve-month trading period in 2017. During 2017, the group has finalised its purchase price allocation exercise in respect of the merger and, as a result certain 2016 comparative numbers, have been restated (see note 31 to the financial statements).

For the twelve month-period ended 31 December 2017, Froneri generated revenue of €2,513.07 million (2016: €415.58 million), an EBITDAE* of €317.95 million (2016: loss of €39.25 million) and free cash flow before acquisitions, financing and exceptional items of €36.71 million (2016: €102.90 million). At 31 December 2017 the group and company had net assets of €186.36 million and €480.71 million respectively (2016 Restated: €403.90 million and €587.08 million).

In its first full year of trading Froneri has performed strongly despite challenging market conditions in Europe and an overall slow growing market. At a revenue level the group has demonstrated organic growth of approximately 4.9% (year-on-year), with a focus on the group's global A Brands, driving this growth. EBITDAE growth has exceeded expectations with an accelerated realisation of cost synergies from better procurement and the implementation of plans to streamline both the operational footprint and general overhead savings, arising from planned initiatives across markets.

The three-month period in 2016 reflected the seasonality of the group's operations because a substantial element of its business is driven by the out-of-home (or "impulse") ice cream market, in numerous countries. This market is significantly more seasonal than the take-home business. The group also has a substantial business in Europe (in 2017 80.3% of the group's annual sales were generated in Europe; and 85.5% in the northern hemisphere). Therefore in the three months ended 31 December 2016, the group's net sales and EBITDAE was proportionally significantly lower than the full year to 31 December 2017.

In 2017, Froneri incurred €119.10 million of exceptional costs (2016: €63.11 million) mainly arising from restructuring and integration projects, including the closure of factories in Greece and Italy. In total the group has recognised €93.68 million in respect of redundancy and related costs as part of the implementation of initiatives to reduce costs and streamline the group's operational footprint. Also included in integration and restructuring costs is €24.50 million of exceptional costs in Brazil in respect of the write off of irrecoverable sales tax balances and simplification of its sales tax arrangements following a review of its sales tax structure.

*EBITDAE is EBITDA before exceptional items (as defined on page 37)

Strategic report *(continued)*

Performance summary *(continued)*

In 2016 exceptional costs were incurred across three main areas: a) €28.88 million related to costs incurred to effect the merger; b) €24.80 million resulting from the recognition of a one-off stock fair value uplift (included in other costs), increasing cost of sales in Q4 as the stock was sold; and c) €6.61 million of integration and restructuring costs.

Revenue

Revenue for the year ended 31 December 2017 was €2,513.07 million (2016: €415.58 million). The geographic split of revenue was €2,017.44 million (2016: €266.04 million) in Europe, €125.14 million (2016: €36.64 million) in Africa (largely incorporating Egypt and South Africa) and €370.49 million (2016: €112.90 million) in the rest of the world (largely Australia).

Revenue increased by 4.9% (year-on-year) with approximately more than half of this growth driven by the group's global A brands resulting from a focus on selling initiatives, including investment in marketing and promotional spend, and rejuvenating brand propositions. In addition, the roll out of Mondelēz brands across several former Nestlé markets and within the out-of-home markets was very successful following the signing of the Mondelēz licence to sell across a broader set of geographies across the world. Private label sales accounted for 1.4% of total growth, particularly in both the UK and Italian Markets.

Overall the top 8 markets accounted for 76.9% of total group revenue. Those markets include Australia and Egypt as well as the largest European businesses in the UK, Germany, France, Italy, Spain and Switzerland.

EBITDAE

EBITDAE for the year ended 31 December 2017 was €317.95 million (2016: Loss €39.25 million). The geographic split of EBITDAE was €247.78 million (2016: loss €57.32 million) in Europe, €18.72 million (2016: €1.56 million) in Africa and €51.45 million (2016: €16.51 million) in the rest of the world.

The group performed strongly, exceeding expectations for the first full year of the newly created group. Growth was driven by an accelerated realisation of cost synergies from better procurement and the implementation of plans to streamline both the operational footprint (including the closure of factories) and general overhead savings, arising from planned initiatives across markets. As a result, the group delivered a strong gross margin as well as EBITDAE margins, compared to the initial business plan.

The EBITDAE loss in 2016 of €39.25 million was principally due to the seasonality of the business as the period occurred in in the fourth quarter, where sales are at their seasonal low point in most of the group's markets. In addition, the structural cost base of the out-of-home business (in particular) means that the group incurred substantial costs in relation to fixed production and distribution overheads, which resulted in losses in the fourth quarter.

Exceptional items

Exceptional costs of €119.10 million were incurred in 2017 (2016: €63.11 million). As noted in the performance summary, the costs mainly arose from restructuring and integration projects and are set out in note 4 to these financial statements. These types of costs are likely to recur, due to medium term plans to restructure and re-model the group's business and operations; and arising from the plans to obtain synergies envisaged by the merger.

Strategic report *(continued)*

Performance summary *(continued)*

Cash flows

Froneri generated €36.71 million (2016: €102.90 million) of free cash flow before acquisitions, financing and exceptional items, in 2017. The EBITDAE of €317.95 million (2016: loss of €39.25 million) was offset by an unfavourable working capital movement of €37.13 million (2016: favourable movement of €216.05 million as a result of the seasonal unwind of working capital from the opening balance sheet date, 1 October 2016, to the period end), less capital expenditure of €105.38million (2016: €23.01 million), interest payments of €73.92 million (2016: €7.27 million) and corporation tax payments of €31.11 million (2016: €5.45 million).

Capital structure

On 1 October 2016, Froneri acquired the entire activities of R&R for an equity value of €936.65 million and the former Nestlé businesses for an aggregate equity value of €1,259.90 million (including €114.10 million completion payment made in 2017). The total investment of €2,217.46 million, was financed by the issue of new shares amounting to €616.93 million, the issue of €36.64 million preference shares issued to the prior shareholders of R&R, €1,308.97 million of shareholder loan notes provided by Nestlé SA and PAI (the "Shareholder Loan notes") and €234.01 million of cash (€114.10 million completion payment paid in cash). Nestlé also provided an additional loan of €800.00 million (the "Nestlé Shareholder Loan"), some of which was used to refinance the group.

Together with the acquisition of the former R&R and Nestlé businesses, Froneri raised €1,020.00 million equivalent senior secured credit facilities through the loan market, incorporating a €800.00 million equivalent senior secured term loan (in Euro and Australian dollar tranches) and a €220.00 million revolving credit facility. Proceeds from the term loan and the Nestlé Shareholder Loan were used to fully repay R&R's indebtedness existing as at 30 September 2016, amounting to €986.40 million. The group also repaid €391.89 million of the Shareholder Loan notes following closing, leaving €917.08 million of Shareholder Loan notes outstanding following the merger transactions.

The resulting capital structure of Froneri is based on: €800.00 million of term loan debt (with a maturity of 7 years from the merger date, in Euro and Australian dollar tranches), shareholder loans from the Nestlé Group of approximately €824.00 million (denominated in various currencies) and approximately €1,570.68 million of combined loan notes, preference shares and ordinary equity (of various classes).

In 2017 the group repaid €75.00 million of shareholder loan notes in equal shares to both Nestlé and PAI from cash held on the balance sheet. The group also issued €2.70 million of equity and preference shares.

Post year end on 31 January 2018 the group refinanced its €1,020.00 million equivalent of senior secured credit facilities together with the Nestlé shareholder loan of €800.00 million, in total €1,820.00 million. The refinancing has enabled the group to reduce the cost of its debt substantially. The group now has a €1,200.00 million € denominated Term loan, €150.00 million A$ denominated Term loan (A$221.265 million) and €245.60 million GBP denominated Term loan (£215.00 million) together with a €220.00 million revolving credit facility. The loans have a maturity of 7 years from the date of refinancing, which has extended the maturity of the group's term debt to 2025.

Froneri continues to have a conservative capital structure and comfortable debt ratios. This will allow the group to invest in and focus on its growth ambitions and delivery of synergies arising from the merger.

Strategic report *(continued)*

Finalisation of purchase price allocation exercise

In 2017 the group has finalised its valuation of assets contributed to the joint venture, the recognition of other assets and liabilities acquired, as well as making a final consideration payment associated with the completion exercise. The main impacts of the exercise have been an overall reduction in goodwill recognised of €46.25 million, from €1,633.72 million to €1,587.47 million, mainly due to a reduction in the final consideration paid (and payable in respect of certain Nestlé tax liabilities) of €25.91 million, and a net increase of €34.66 million attributed to the value of customer related intangible assets net of the related deferred tax impact.

The acquisition and fair value exercise are discussed in more detail in note 9, and the impact of the restatement on 2016 is set out in note 31, to the consolidated financial statements.

Principal exchange rates

Froneri reports its results in Euros, its presentational currency. The group operates in thirteen other currencies and the principal exchange rates in use in the three-month period to 31 December 2016 and as at 31 December 2016 are shown below:

Currency	Symbol	1 October 2016	31 December 2016	1 October – 31 December 2016 average
Argentinian Peso	ARS	17.20	16.88	16.69
Australian Dollar	AUD	1.47	1.46	1.44
Bulgarian Lev	BGN	1.97	1.96	1.97
Brazilian Real	BRL	3.65	3.43	3.56
Swiss Franc	CHF	1.09	1.07	1.08
Egyptian Pound	EGP	9.96	19.10	14.04
British Pound Sterling	GBP	0.86	0.85	0.87
Philippine Peso	PHP	54.29	52.29	53.09
Polish Zloty	PLN	4.31	4.42	4.38
Romanian Leu	RON	4.46	4.54	4.51
Serbian Dinar	RSD	123.82	124.72	123.73
Russian Rouble	RUB	70.75	64.52	68.03
South African Rand	ZAR	15.55	14.50	15.04

Strategic report *(continued)*

Principal exchange rates *(continued)*

The principal exchange rates in use in the year ending 31 December 2017 and as at 31 December 2017 are shown below:

Currency	Symbol	31 December 2017	1 January – 31 December 2017 average
Argentinian Peso	ARS	22.34	18.75
Australian Dollar	AUD	1.54	1.47
Bulgarian Lev	BGN	1.96	1.96
Brazilian Real	BRL	3.97	3.61
Swiss Franc	CHF	1.17	1.11
Egyptian Pound	EGP	21.38	20.16
British Pound Sterling	GBP	0.89	0.88
Philippine Peso	PHP	60.05	56.96
Polish Zloty	PLN	4.17	4.27
Romanian Leu	RON	4.68	4.57
Serbian Dinar	RSD	118.92	121.36
Russian Rouble	RUB	69.28	65.90
South African Rand	ZAR	14.87	15.03

Strategy

The group's goal is to consolidate the position as a leading global manufacturer of ice cream and frozen products and increase profitability through synergies and improving efficiency across the group. The group's growth strategy is based on the following key pillars:

Sell more

Driving sales growth is a key part of Froneri's strategic plan, particularly in gaining market share in all of the group's core markets. The key elements of this part of the strategy are as follows:

- Reinforce focus on international priority brands and proven concepts;
- Increase investment in brand building and marketing through re-investment of cost savings;
- Offer a choice of products (both branded and private label) and experience as "category partner" for retailers;
- Roll-out quality innovation into the market and anticipate and react to consumer trends quickly;
- Operate a significantly lower cost base than rivals *via* a world class cost structure;
- Drive excellence in dealing with complexity, without any compromise on quality;
- Develop a high-performing, motivated and focused organisation, which is attractive to talented people;
- Driving growth in both the retail and out-of-home channels.

Strategic report *(continued)*

Strategy *(continued)*

Buy better

The second key element of the strategic plan is to generate cost savings in procurement, especially in the key areas of raw materials, ingredients, packaging and other inputs. This strategic objective will be delivered by:

- Identifying cost saving opportunities across the group's businesses and markets;
- Conversion of the procurement organisation to the new Froneri model;
- Potential synergies between the former Nestlé and R&R businesses;
- Assess the opportunities arising from vertical integration.

Take costs out

The third key element of the strategic plan is to generate savings in indirect costs and overheads. This strategic objective will be delivered by:

- Identifying and delivering potential cost savings along the entire supply chain;
- Taking tried and tested practices throughout the business and sharing them across the enlarged manufacturing, logistics and R&D platform of the new group;
- Investing significant levels of capex to exploit opportunities in driving production and distribution efficiency;
- The roll-out of harmonised KPIs and reporting to allow transparent real-time management across plants, creating a unified culture focused around transparency, accountability and continuous improvement within the production facilities;
- Identifying key personnel and skill-sets throughout the period of the post-merger integration, and rolling-out site management blueprints (roles, responsibilities and processes), to ensure best-in-class operational efficiency across all of the facilities.

Invest in brands

The fourth major element of the strategic plan is to invest in Froneri's key brands, as well as private label. This includes both owned and licenced brands, supported and augmented by the commercial opportunities generated by private label. This strategic objective will be delivered by:

- Implementing an independent strategy for the branded business and respective segments per country;
- The core brand portfolio will be more focused on establishing international brands across the market:
    - Investment in Nestlé licence (Extrême, Maxibon, Pirulo, and various others);
    - Investment in Mondelēz licence (such as Oreo, Milka, Cadbury, Daim and Toblerone);
    - Investment in the existing super premium brand (Mövenpick of Switzerland);
- Increase existing brand awareness, allow for an international roll-out of branded products and create opportunities in both the take-home and out-of-home channels;
- Consolidate Nestlé licenced brands with the licenced brands of the former R&R business, to create a leading brand platform across all product categories;
- Further support these key international brands with "local heroes" in all markets;

Strategic report *(continued)*

Strategy *(continued)*

Invest in brands (continued)

- Develop the group's everyday quality and mainstream brands:
  - Prioritise the group's everyday quality brands, especially in Western Europe, together with improved product quality and increased price competitiveness;
  - Harmonisation of the underlying platforms to leverage cost savings will enhance the brand portfolio and allow strong market penetration at multiple price points;
- In private label, Froneri will exploit significant untapped growth potential, by rolling out its successful private label strategy in the numerous countries where the former Nestlé ice cream business has a presence but not yet a private label offering;
- Develop the frozen foods activities by growing and leveraging the "local jewels" in the market (for example: Erlenbacher) and putting renewed focus on the retail frozen food business in Switzerland.

Market position, trends and other factors affecting future performance

For Froneri, the market is regarded as split between the take-home ice cream segment, where products are purchased from retailers for consumption at home, and the out-of-home segment, where ice cream products are purchased for immediate consumption. The take-home market for Froneri is larger than the out-of-home market, though both are substantial in most of the group's key markets. The market is also split between branded and private label segments. The private label market is significantly smaller than the branded market, in aggregate – although certain key countries have a substantial share in private label. Overall, Froneri holds the number two position in the addressable markets, ranking only behind Unilever, and at least a top three position in all the group's countries. In the private label segment Froneri is the largest global producer.

The majority of Froneri's revenues are generated in the developed markets of Europe. This market has shown consistent growth over a number of decades. Drivers of this market growth include innovation, "premiumisation", convenience and accessibility. Froneri is well positioned to benefit from the continued growth in these markets, through its focus on product development to react to changing consumer trends (such as using natural flavours and colours), introducing new products with innovative flavours and inclusion combinations, and expanding the product range across branded and private label offerings. In particular, product "premiumisation" and the positioning of ice cream as an affordable luxury has been key in driving growth in developed markets.

As well as investing in product innovation in growing segments of the market, Froneri is investing in the international positioning of its brands. Developing markets in both Europe and the rest of the world also represent a significant growth opportunity, where economic growth is generally higher than in developed economies, and there are greater opportunities to expand Froneri's addressable market, as well as capture market share.

The UK as one of the group's key markets faces some uncertainty over the country's exit from the European Union. It is difficult to predict the impact of Brexit and the group regularly reviews the potential risks and opportunities as part its monthly board meetings and ongoing risk management processes. Brexit is likely to affect how the UK business manages the flexibility of its workforce particularly around its seasonal requirements and as a UK head quartered group, the impact on tax and other regulations, which could increase the cost of doing business. However, the group is confident that its business model and key strategic relationships with customers and suppliers will enable the group to manage these risks and to capture opportunities which arise.

The scale of Froneri's operations means that it is well placed to maintain its competitiveness in all of its markets. This will also be an important factor in the ability of the group to deliver its strategic objectives of being able to buy better and take costs out of the business, and to generate strong cash flows, in order to invest in its brands, products and customer relationships.

Strategic report *(continued)*

Core values

The core values of the Froneri group are as follows:

Consumer focus

- To have passion for consumers and customers, who are the heart of the business;

Quality

- To have a passion for excellence;
- To strive to be the best at everything that the group do, to drive value;

Performance

- To have a passion for results;
- To grow value in the business: for example, by keeping things simple and challenging each other;

Team work

- To have a passion for people;
- To deliver superior business performance by getting the right people to work together;

Accountability

- To have a passion for ownership;
- By taking responsibility for the group's actions and doing what it says it will do;

Entrepreneurialism

- To be entrepreneurial in the group's businesses;
- To identify ways to improve performance, and learn from mistakes.

These values are at the heart of employee communications, development and recognition, and form the basis by which the Froneri business will grow.

Health & Safety and Environmental matters

To maintain healthy and safe working conditions on all the group's sites, measuring against targets the ability to keep staff and visitors safe. To review and aim to continuously improve all aspects of the working environments to ensure staff and visitors have the safest occupational health and safety standards that can be provided.

To aim to operate in an environmentally responsible manner across all sites in the group, as compliance with relevant environmental legislation and regulations is regarded as imperative, and the adoption of responsible standards where no legislation exists, is an integral part of the business strategy.

Reports from across the group, are presented at monthly board meetings covering health, safety and environmental matters, which include statistics on any accidents and progress in fulfilling targets linked to continuous improvement, as well as promoting wider awareness of environmental and safety to all employees and visitors. Regular risk management audits are undertaken to identify areas for improvement, and to minimise safety risks.

The impact that the group makes on the environment is important and the group is committed to continual improvement in environmental protection and pollution prevention. This is monitored regularly and the carbon footprint across the group is reviewed with a view to reducing the waste going to landfill every year.

Strategic report *(continued)*

Health & Safety and Environmental matters *(continued)*

The group recognises that activities inevitably have an impact on the environment. To reduce this the group sets environmental objectives and targets relating to energy reduction (electricity, gas) and water usage. It also looks to reduce the environmental footprint by reducing the use of energy (electricity, gas) and water, and reducing waste by prevention, reuse and recycling. These targets are monitored and reviewed through KPIs.

In addition, the group work closely with customers and brand partners in the development of products and assessment of their health impacts, including fat, sugar and salt content. Raw materials are purchased from sustainable sources and use recycled card and paper where possible.

Social and community matters

The group strives to be a good corporate citizen recognising the responsibility to work in partnership with the communities in which it operates and encourages active employee support for their community or chosen charities, in particular, those that aid children and young people. The group's businesses have regularly donated a part of their income to local charities as well as providing indirect giving in terms of free-of-charge products that charities and communities can use to raise funds. It is the group's policy not to make political donations.

Business ethics and human rights

The group is committed to conducting business in an ethically and socially responsible manner and treating employees, customers, suppliers and shareholders in a fair, open and honest manner. The group is regularly audited, by both independent auditors and by customers; in addition, the supply chain is audited by Froneri to ensure that suppliers operate in an ethically and socially responsible manner. Staff feedback is encouraged on any issues that they are concerned about, the group operates an anonymous whistleblowing hotline that gives employees in all businesses around the group the chance to report anything they believe is not meeting the required standards.

The group is similarly committed to conducting business in a way that is consistent with universal values on human rights, and complying with the Human Rights Act 1998. The group ensures that appropriate consideration is given to human rights issues in the formulation of group policies and processes. This is most pertinent in the group's approach to supply chain management (and the consideration of ethical trading stance in that respect) and overseas employment policies and practices. Where appropriate, this can take the form of charitable donations, supporting employees in fund raising or volunteering for local good causes and community partnering. In addition, employee welfare measures are monitored in regular KPIs, such as absenteeism, the extent of vacant positions and working hours.

Employees

The group operates a framework for employee information and consultation in line with the Information and Consultation of Employees Regulations 2005. Throughout the period, the group has issued information on its website and through employee communications. The group provides channels through which employees can express views and communicate regularly with senior management of the business. There are also a number of employee consultative committees and works councils to provide a forum for employees to air the views of their colleagues and discuss relevant issues.

The group is committed to training and development that improves workforce capabilities, skills and competencies. The group intends to recruit a large number of young people across the businesses each year, and in many cases, support these young people through apprenticeships, work-based training or external qualifications. The group has also developed long-term succession planning through a talent management programme.

Strategic report *(continued)*

Gender-based reporting

The group is committed to gender-neutral considerations in employment policies, including retention, recruitment and remuneration. This includes gender considerations in the newly-developed talent management programme. The Board of Froneri is composed of six individuals, all male. The executive team of the group is composed of the group's executive team, functional directors and the head of each country. This is the composition of the group's "senior management", for gender reporting purposes. There are seven members of the executive team in functional roles (all of whom are male), and a further twenty members (approximately, with numbers varying from time to time), of the executive team who lead their respective country businesses (of whom four executives are female).

As at 31 December 2017 the group had 10,212 permanent employees of which 3,248 were women compared to 6,964 men. Over the course of a year the workforce can change significantly due to a large element of both seasonal and temporary workers, which means the group does not measure and monitor this gender split on a monthly or quarterly basis. As the group designs and implements new human resources systems in future, as part of the integration of the newly-merged business, it aims to include gender balance within the workforce as part of regular KPIs within human resources.

Private equity reporting guidelines ('PERGs')

The Directors consider the annual report and financial statements to comply with all aspects of the Guidelines for Disclosure and Transparency in Private Equity.

Key Performance Indicators ('KPIs')

In addition to the measures discussed above, there are a number of key performance indicators being used across the group on a daily, weekly and monthly basis. These monitor performance of the operations compared to budget, prior year and compared to forecast, where appropriate.

The KPIs monitored on a regular basis incorporate both financial and non-financial measures, and cover all functions of the business.

KPIs monitored on a daily basis, amongst most of the group's businesses, are:

- Production volume
- Sales volume and value
- Order intake

KPIs monitored weekly/monthly are the above plus:

- Sales, gross margins and EBITDAE margins
- Profit and cash generation
- Inventory levels
- Quality measures, such as customer complaints
- Raw materials and packaging buying prices
- Write-offs of raw materials and finished goods
- Variances of operational performance and costs to standard
- Capital expenditure
- Absenteeism
- Reportable accidents
- Service levels
- Market share

Strategic report *(continued)*

Principal risks and uncertainties

The Directors consider the potential impact of business risks regularly at Board meetings. Actions to mitigate the risks are also discussed. The more significant risks and uncertainties faced by the group are set out below:

- Currency exposure. The group operates in fourteen currencies as set out in the exchange rates table above. Because the group reports in Euros, any strengthening of the Euro relative to the local currency that the subsidiaries operate in would adversely affect the contribution from those countries to group profitability. After the Euro, the key currencies in use by or in the group's largest markets are the British Pound Sterling, the Australian Dollar and the Swiss Franc. The spread of currencies across the group provide an element of diversification to reduce the exposure to currency fluctuation. There are varying degrees of restrictions in place by the different local central banks, which limit the amount of local currency that may be exchanged and/or repatriated.
- Price and supply fluctuations. Whilst the group looks to hedge most of the raw material requirements for a term of up to one year, any unhedged raw materials, including dairy which it can potentially only partially hedge, may present risk.
- Acquisitions integration. Whilst the group undertakes detailed due diligence ahead of any acquisition, there is the potential that acquisitions may expose it to additional unforeseen risk. The scale of the business combination requires careful integration of systems, processes and cultures.
- Deliberate contamination of food or raw materials during production. The group has in place controls to physically segregate and secure its physical production areas and has testing procedures in place to check finished goods. The group continues to take actions to improve physical security access across its facilities. There remains however a risk that deliberate contamination could occur.
- IT disaster recovery processes are ineffective or that there is a cyber attack;. Whilst the group has IT recovery and crisis management plans in place, there remains a risk that a loss of/ issue with the group's IT systems could disrupt the group's business resulting in financial loss or reputational damage.
- Seasonality. The ice cream market is characterised by fluctuations in sales, although these largely equalise out over the course of a year. Ice cream sales are inextricably linked with the seasons and therefore any climate changes have the potential to impact on business. The group operates primarily in the northern hemisphere, however its operations in South America, Australia and South Africa provides some risk mitigation in respect of seasonality.
- Competition in the ice cream industry. The group operates in highly competitive markets, often competing with other substantial multi-national businesses, and with large, profitable retail customers and its failure to compete effectively could result in a material adverse effect on its results.
- Economic conditions. The group derives the majority of its profits from sales activities in Europe, (in particular, from Germany, France, Italy, Spain, Switzerland and the UK) and from Australia. It is therefore sensitive to fluctuations in the economic conditions of these countries. In this respect the process of the UK leaving the European Union and resultant impact on the UK and European economies creates uncertainty and a risk to the group.

The Board considers that its scale of operations provides significant buffer to the risks outlined and has strategies to manage these risks and remains confident in the group's ability to mitigate any significant effect.

Strategic report *(continued)*

Financial Risk Management Policies and Objectives

The group finances its activities with a combination of loan notes, shareholder loan notes, debt factoring, cash and revolving credit facilities. Other financial assets and liabilities arise directly from the group's operating activities. The main risks associated with the group's financial assets and liabilities are set out as below:

- The group's functional currency is the Euro. Each of its trading operations by and large buys certain goods and sells the majority of goods denominated in the local currency. As a result, the value of the group's local currency revenues, purchases, financial assets and liabilities and cash flows can be affected significantly by movements in the exchange rates of the local currency compared to the Euro. The size of the UK, Swiss and Australian operations, in particular, means that market movement in Sterling, the Swiss Franc, and/or the Australian Dollar can have a significant impact on the reported results and financial assets and liabilities of the group. Additionally, the group has an ongoing obligation to pay licence fees for intellectual property from Nestlé, in Swiss Francs, thus increasing the group's exposure to that currency. The group's financial assets and liabilities may also be impacted by political interventions by local central banks, as demonstrated by the substantial fall in the value of the Egyptian pound in November 2016 following the central bank's decision to allow the currency to float freely, however such interventions are viewed as uncommon.

- The group's Nestlé shareholder loans are denominated and serviced in Euros and Sterling and the group's term loan is denominated in Euros and in Australian Dollars (post year-end the group refinanced it's Nestlé shareholder loans in Euro and Sterling and its existing term loan. These were replaced with a term loan with the same GBP and Australian dollar denominated tranches) . Whilst the group believes that it has put in place an effective hedging strategy with regard to those liabilities, there remains the risk of mismatch between the underlying cash flows, assets and liabilities of the group's trading subsidiaries and the group's loan note liabilities and debt servicing obligations.

- The term loan and shareholder loan notes bear interest at fixed rates. Consequently, there is no interest rate risk on these instruments. However, the group's other debt facilities are largely at variable interest rates, and therefore carry interest rate risk.

The group aims to mitigate liquidity risk by managing cash generation by its operations and applying cash collection targets throughout the group. The group has established a group treasury function and mitigates currency risk through natural hedging opportunities where possible. Investment is carefully controlled, with authorisation limits operating up to group Board level.

Further details of the group's risks and management policy, including hedging policies, are provided in the relevant notes to the financial statements.

On behalf of the Board

Ibrahim Najafi
Director
10 May 2018

Directors' report

The Directors present their annual report and the audited financial statements of the group for the year ended 31 December 2017.

Ownership and History

Froneri is a private company limited by shares incorporated and domiciled in the United Kingdom. Froneri was incorporated on 20 April 2016. The address of the company's registered office is Richmond House, Leeming Bar, Northallerton, North Yorkshire, DL7 9UL.

Froneri is a joint venture controlled and owned in equal shares between Nestlé SA and PAI Partners.

The founding businesses of Froneri are: the former ice cream businesses of Nestlé in Europe, Egypt, the Philippines, Brazil and Argentina, its chilled diary business in the Philippines, and its European frozen food business (excluding pizza, and excluding retail frozen food in Italy); and the former R&R group, in its entirety. These businesses were merged to create "Froneri" group with effect from 1 October 2016.

Nestlé is the world's largest food and beverage company. It is present in 189 countries around the world, and its 328,000 employees are committed to Nestlé's purpose of enhancing quality of life and contributing to a healthier future. Nestlé offers a wide portfolio of products and services for people and their pets throughout their lives. Its more than 2000 brands range from global icons like Nescafé or Nespresso to local favourites like Ninho. Company performance is driven by its Nutrition, Health and Wellness strategy. Nestlé is based in the Swiss town of Vevey where it was founded more than 150 years ago.

PAI Partners is a leading European private equity firm with offices in Paris, London, Luxembourg, Madrid, Milan, Munich, New York and Stockholm. PAI manages €8.3 billion of dedicated buyout funds. Since 1994, the company has completed 61 transactions in 11 countries, representing c. €41 billion in transaction value. PAI is characterised by its industrial approach to ownership combined with its sector-based organisation. PAI provides the companies they own with the financial and strategic support required to pursue their development and enhance strategic value creation.

The former Nestlé businesses, which were contributed to Froneri, have grown through various acquisitions in several countries over recent decades, with a diversified product and well-balanced portfolio of global and local brands. The various businesses are structurally different in terms of size, market position, and route to market models. The businesses are a mix of ice cream, frozen food and chilled dairy.

R&R was formed in 2006 when Richmond Foods ("Richmond"), a leading producer of ice cream in the UK, which was listed on the London Stock Exchange, merged with Roncadin Eis ('Roncadin'), a German ice cream producer. This merger created R&R Ice Cream, the largest private label ice cream manufacturer in Europe. Since the Richmond-Roncadin combination, R&R continued to improve its position as a market leader in the fragmented ice cream business through strategic acquisitions across Europe and globally. Recent R&R acquisitions were Nestlé's South African ice cream business in May 2015, the Peters ice cream business in Australia in June 2014, and Fredericks' business, which owned the rights to the Cadbury licence in the UK, in 2013. PAI Partners acquired the company from Oaktree Capital Management in July 2013.

Nestlé and R&R have a longstanding and successful relationship, with R&R operating Nestlé brands in the UK since 2001 and subsequently R&R acquired former Nestlé ice cream businesses in Australia and South Africa.

Research and development

There are numerous ongoing research and development projects at each of the group's main locations, primarily concentrated on new ice cream designs and recipes.

Directors' report *(continued)*

Financial instruments

Financial instruments are set out in note 24 to the annual report.

Proposed dividend

The directors do not recommend the payment of a dividend.

The Board of Directors

The Board is responsible for the overall operations of the group, including the approval of the strategic plan, annual budget, changes to the group's financing arrangements, acquisitions and disposals, material contracts and significant capital expenditure and contractual commitments.

Directors who held office during the year and up to the date of signing the financial statements were:

- Luis Cantarell (Chairman)
- Ibrahim Najafi (Chief Executive Officer)
- Sanjay Bahadur
- Patrice Bula
- Frédéric Stévenin
- Colm O'Sullivan
- Martin Glenn (appointed 1 July 2017)

All directors were appointed on 30 September 2016, except Ibrahim Najafi, who was appointed on 26 April 2016, and Martin Glenn, who was appointed on 1 July 2017.

Luis Cantarell is the former Executive Vice President and Head of Zone EMENA, within Nestlé. He retired from this position on 31 December 2016 after a career of 40 years within the Nestlé group. He held management positions within Nestlé in Nestlé Nutrition, Health Science, Zone Americas, Zone Europe and Strategic Business Division, among others. He is currently a board member of international companies in both Spain and Denmark.

Ibrahim Najafi has served as Chief Executive Officer of R&R since July 2013. On the merger of the former R&R and Nestlé businesses, which created Froneri, he became CEO of Froneri Group. Previously he was R&R's European Chief Executive Officer and group Chief Operating Officer from 2009 and 2006, respectively.

Sanjay Bahadur is Senior Vice President and global head of Nestlé's acquisition and divestiture projects. Prior to becoming Head of Acquisitions and Business Development, he served as CFO of the Greater China Region from 2004, CFO of Turkey & Central Asia Region from 1998 and CFO of Nestlé Hong Kong from 1994 to 1998. He joined Nestlé in 1982.

Patrice Bula is Executive Vice President at Nestlé SA, responsible for the Strategic Business Units, Marketing, Sales and Nespresso. Prior to this, he has held various management roles within Nestlé including roles in China, Germany, southern Africa, Japan, the Czech Republic and Slovakia. He has been with Nestlé since 1980.

Frédéric Stévenin is the partner in charge of the Food & Consumer and Healthcare Sector Teams within PAI Partners. He first joined PAI in 1993 and spent five years in the Food & Beverage Sector Team. In 1998, he joined Deutsche Bank/Bankers Trust. In 2001, he returned to PAI, where he has been involved in a number of transactions including Panzani, Amora Maille, William Saurin, Antargaz, Yoplait, Elis, Panzani-Lustucru, Saeco, Chr. Hansen, UB, Kaufman & Broad, Cerba, Marcolin, Froneri, DomusVi and Labeyrie.

Colm O'Sullivan joined PAI in 2006 and since 2008 he has headed PAI's UK office. He was previously at Deutsche Bank where he spent eight years in the Financial Sponsors' group. Prior to this, he spent six years with Hambros Bank. He is also currently a non-executive director of VPS and CST. He has been involved in a number of transactions including United Biscuits, Kwik Fit, Perstorp, Froneri and VPS.

Directors' report *(continued)*

The Board of Directors *(continued)*

Martin Glenn has been Chief Executive of the English Football Association since March 2015. Prior to that he was CEO of United Biscuits and CEO of the Iglo Group 2006-2012 and worked in the snack foods division of PepsiCo for 15 years in a variety of leadership roles.

Board Committees

There are three Board Committees.

The Audit and Finance Committee reports to the Board on finance matters. Its members comprise Colm O'Sullivan, Sanjay Bahadur and Martin Glenn.

The committee meets at least twice a year, at appropriate times in the reporting and audit cycle. In addition, the committee meets at such other times as the Board or the committee Chairman requires, or if requested by the group's external auditors. Only committee members have the right to attend meetings but, in practice, other individuals, including members of the group board and other members of the senior finance team are invited to attend all or part of meetings as and when appropriate to their area of expertise. The external auditors also attend certain meetings.

The committee's responsibilities include overseeing the relationship with the external auditor. It meets with them regularly, reviews the audit plan and discusses audit findings with them. The committee's responsibilities also include the evaluation of management's risk framework and communicating the importance of internal control and the management of risk.

The Remuneration and Nomination Committees oversee executive pay and appointments. The Committees comprise Luis Cantarell and Frédéric Stévenin. Froneri's CEO, Ibrahim Najafi, and Froneri's HR Director, Russell Kronenburg, attend by invitation. The committee meets at least twice a year and also at such other times as required. Only committee members have the right to attend meetings, but other individuals are invited to attend from time-to-time, when appropriate.

The committee's responsibilities include determining and agreeing the annual remuneration of the executive directors and approving the design of the group's annual incentive plans. The day-to-day operations of the group are the responsibility of the executive team. This comprises the CEO, the CFO, other group executives (such as functional directors) and the heads of each country's operations. Other attendees are by invitation. The executives also develop group strategy and plans for consideration by the Board.

Certain directors benefit from qualifying third-party indemnity provisions, as defined by Section 234 of the Companies Act 2006, which were in place during the financial period and at the date of this report. No indemnity is provided for the Company's auditors.

Political contributions

Neither the Company nor any of its subsidiaries made any political donations or incurred any political expenditure during the year ended 31 December 2017.

Employees

The group operates a framework for employee information and consultation in line with the Information and Consultation of Employees Regulations 2005. Throughout the period, the group has issued information on its website. The group provides channels through which employees can express views and communicate regularly with senior management of the business. There are also a number of employee consultative committees and works councils to provide a forum for employees to air the views of their colleagues and discuss relevant issues.

The group gives full consideration to applications for employment from disabled persons where the candidate displays particular aptitudes and abilities are consistent with adequately meeting the requirements of the job. Opportunities are available to disabled employees for training, career development and promotion. The group seeks to continue the employment of, and arrange appropriate training for, any of the group's employees who have become disabled during the period in which the group employed them.

Directors' report *(continued)*

Employees *(continued)*

The group offers a bonus scheme to eligible employees which is based around three key performance targets for the business: EBITDAE; sales; and cashflow. The scheme incentivises year-on-year delivery of Froneri's annual financial targets. This provides focus on key financial metrics and the individuals' contribution to their respective countries' performance through alignment of interests. Certain individuals will be incentivised based on group performance as well as individual country performance.

Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditors are unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Other information

The Strategic Report sets out the likely future developments and direction of the business. There were no significant events after the balance sheet date that require additional note, other than those disclosed in the Strategic Report.

Independent auditors

The Company appointed PricewaterhouseCoopers LLP in the prior period and pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and PricewaterhouseCoopers LLP will therefore continue in office.

On behalf of the board

Ibrahim Najafi
Director

Richmond House
Northallerton
North Yorkshire, DL7 9UL
United Kingdom

10 May 2018

Statement of directors' responsibilities in respect of the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company and of the profit or loss of the group and company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed for the group financial statements and United Kingdom Accounting Standards, comprising FRS 101, have been followed for the company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the financial statements comply with the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

The directors are also responsible for safeguarding the assets of the group and 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 company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By order of the Board

P. Mell

Philip Mellor
Secretary

10 May 2018

Independent auditors' report to the members of Froneri Limited

Report on the audit of the financial statements

Opinion

In our opinion:

- Froneri Limited's group financial statements and company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2017 and of the group's loss and cash flows for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report and financial statements (the "Annual Report"), which comprise: the consolidated and company statements of financial position as at 31 December 2017; the consolidated income statement and consolidated statement of comprehensive income, the consolidated cash flow statement, and 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) 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 the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's and company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's and company's ability to continue as a going concern.

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.

Independent auditors' report to the members of Froneri Limited (continued)

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 Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 December 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the 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 Strategic report and Directors' report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements set out on page 18, 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 (UK) 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 FRC's website at: www.frc.org.uk/auditorsresponsibilities. 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 Chapter 3 of Part 16 of the Companies Act 2006 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.

Independent auditors' report to the members of Froneri Limited (continued)

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Ian Morrison

Ian Morrison (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Leeds
10 May 2018

Consolidated Income Statement

for the year ended 31 December 2017

	Notes		Year ended 31 December 2017 €m		Restated (a) 3 month period ended 31 December 2016 €m
Revenue	2		**2,513.07**		**415.58**
Cost of sales			(1,544.37)		(316.75)
Gross profit			**968.70**		**98.83**
Distribution expenses			(311.37)		(74.44)
Administrative expenses			(627.00)		(165.42)
Operating profit/(loss) before exceptional items			**149.43**		**(77.92)**
Exceptional items – within Cost of sales		(25.93)		(26.56)	
Exceptional items – within Distribution expenses		(8.70)		(2.07)	
Exceptional items – within Administrative expenses		(84.47)		(34.48)	
Total exceptional items	4		**(119.10)**		**(63.11)**
Operating profit/(loss) after exceptional items	5		**30.33**		**(141.03)**
Financial income			9.15		5.19
Financial expenses			(221.58)		(80.32)
Net financing expense	7		**(212.43)**		**(75.13)**
Loss before tax			**(182.10)**		**(216.16)**
Taxation	8		7.40		11.89
Loss for the year/period			**(174.70)**		**(204.27)**
Attributable to Equity holders of the parent:					
Loss for the year/period			**(174.70)**		**(204.27)**

Note (a)
The 2016 comparatives have been restated as a result of the finalisation of the purchase price allocation exercise arising on the inception of the joint venture (see note 31).

The notes on pages 27 to 87 form an integral part of the consolidated financial statements.

Consolidated Statement of Comprehensive Income
for the year ended 31 December 2017

	Year ended 31 December 2017 €m	Restated (a) 3 month period ended 31 December 2016 €m
Loss for the year/period	**(174.70)**	**(204.27)**
Other comprehensive (expense)/income		
Items that may be subsequently reclassified to profit or loss		
Exchange differences on retranslation of foreign operations	(78.66)	(19.90)
Net investment hedging	16.73	(3.88)
	(61.93)	(23.78)
Items that will never be reclassified to profit or loss		
Remeasurements of post-employment benefit obligations	17.71	15.02
Total other comprehensive expense for the year/period	**(44.22)**	**(8.76)**
Total comprehensive expense for the year/period	**(218.92)**	**(213.03)**

Note (a)
The 2016 comparatives have been restated as a result of the finalisation of the purchase price allocation exercise arising on the inception of the joint venture (see note 31).

The total comprehensive expense for the year (2016: period) is attributable to the equity holders of the parent.

The notes on pages 27 to 87 form an integral part of the consolidated financial statements.

Consolidated Statement of Financial Position

at 31 December 2017

	Notes	2017 €m	Restated (a) 2016 €m
Non-current assets			
Intangible assets	10	2,183.19	2,287.54
Property, plant and equipment	11	697.49	751.21
Financial assets	13	35.62	36.23
Deferred tax assets	14	91.09	60.69
		3,007.39	**3,135.67**
Current assets			
Inventories	15	241.23	236.88
Current tax receivables		17.92	7.60
Other financial assets	13	9.93	11.67
Trade and other receivables	16	368.25	375.91
Cash and cash equivalents	17	228.72	436.69
		866.05	**1,068.75**
Assets classified as held for sale	18	3.16	3.35
Total current assets		**869.21**	**1,072.10**
Total assets		**3,876.60**	**4,207.77**
Current liabilities			
Financial liabilities	19	99.38	189.40
Trade and other payables	20	556.31	592.80
Current tax liabilities		36.72	45.13
Provisions	22	49.52	20.38
		741.93	**847.71**
Non-current liabilities			
Financial liabilities	19	2,637.38	2,616.17
Employee benefits	21	60.01	90.82
Provisions	22	12.71	6.41
Deferred tax liabilities	14	238.21	242.76
		2,948.31	**2,956.16**
Total liabilities		**3,690.24**	**3,803.87**
Net assets		**186.36**	**403.90**
Equity attributable to equity holders of the parent			
Share capital	23	0.01	0.01
Share premium	23	618.15	616.92
Currency translation reserve	23	(85.71)	(23.78)
Accumulated losses	23	(346.09)	(189.25)
Total equity		**186.36**	**403.90**

Note (a) The 2016 comparatives have been restated as a result of the finalisation of the purchase price allocation exercise arising on the inception of the joint venture (see note 31).

The financial statements on pages 22 to 87 were approved by the Board of Directors on 10 May 2018 and signed on its behalf by:

Ibrahim Najafi
Director

Company registered number: 10136349

The notes on pages 27 to 87 form an integral part of the consolidated financial statements.

Consolidated Statement of Changes in Equity
for the year ended 31 December 2017

	Share capital €m	Share premium €m	Currency translation reserve €m	Accumulated losses €m	Total equity €m
Balance at incorporation, 20 April 2016	-	-	-	-	-
Total contributions by and distributions to owners					
Issue of shares (note 23)	0.01	616.92	-	-	**616.93**
Total comprehensive expense for the period					
Loss for the period (restated (a))	-	-	-	(204.27)	**(204.27)**
Other comprehensive expense (note 23) (restated (a))	-	-	(23.78)	15.02	**(8.76)**
Total comprehensive expense for the period	**-**	**-**	**(23.78)**	**(189.25)**	**(213.03)**
Balance at 31 December 2016 (restated (a))	**0.01**	**616.92**	**(23.78)**	**(189.25)**	**403.90**
Total contributions by and distributions to owners					
Issue of shares (note 23)	-	1.23	-	-	**1.23**
Share-based payment (note 21)	-	-	-	0.15	**0.15**
Total contributions by owners	-	1.23	-	0.15	**1.38**
Total comprehensive expense for the year					
Loss for the year	-	-	-	(174.70)	**(174.70)**
Other comprehensive expense (note 23)	-	-	(61.93)	17.71	**(44.22)**
Total comprehensive expense for the year	**-**	**-**	**(61.93)**	**(156.99)**	**(218.92)**
Balance at 31 December 2017	**0.01**	**618.15**	**(85.71)**	**(346.09)**	**186.36**

Note (a)

The 2016 comparatives have been restated as a result of the finalisation of the purchase price allocation exercise arising on the inception of the joint venture (see note 31).

The notes on pages 27 to 87 form an integral part of the consolidated financial statements.

Consolidated Cash Flow Statement

for the year ended 31 December 2017

	Notes	Year ended 31 December 2017 €m	3 month period ended 31 December 2016 €m
Cash flows from operating activities			
EBITDAE	3	317.95	(39.25)
Adjustments for exceptional items (excluding impairments)	4	(118.77)	(63.11)
Operating cash flow before working capital and provisions		**199.18**	**(102.36)**
Decrease in trade and other receivables		9.90	121.76
(Increase)/decrease in inventories		(4.35)	22.19
(Decrease)/increase in trade and other payables		(68.61)	88.39
Increase/(decrease) in provisions and employee benefits		24.04	(2.21)
Increase in financial assets		1.89	(14.08)
Operating cash flow		**162.05**	**113.69**
Interest paid		(73.92)	(7.27)
Tax paid		(31.11)	(5.45)
Net cash generated from operating activities		**57.02**	**100.97**
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		2.23	2.24
Interest received		1.34	0.35
Acquisition of subsidiaries, net of cash acquired	9	(114.10)	(1,899.91)
Acquisition of property, plant and equipment	11	(83.68)	(21.24)
Acquisition of other intangible assets	10	(21.70)	(1.77)
Net cash used in investing activities		**(215.91)**	**(1,920.33)**
Net cash flow used in operating and investing activities		**(158.89)**	**(1,819.36)**
Cash flows from financing activities			
Proceeds from the issue of ordinary share capital	23	1.23	616.93
Proceeds from the issue of preference shares	23	1.47	36.64
Proceeds from new loans (net of foreign exchange)	19	-	2,542.33
Transaction costs in relation to new loans	19	(1.31)	(10.60)
Repayment of borrowings		-	(986.40)
(Repayment)/drawdown on factoring	19	(9.71)	2.92
Payment of finance lease liabilities		(0.61)	(0.11)
Repayment of shareholder loan notes		(75.00)	-
Net cash (used)/generated from financing activities		**(83.93)**	**2,201.71**
Net (decrease)/increase in cash and cash equivalents	25	**(242.82)**	**382.35**
Cash and cash equivalents at incorporation, 20 April 2016			-
Cash and cash equivalents at 1 January		384.65	
Effect of exchange rate fluctuations on cash held		0.51	2.30
Cash and cash equivalents at 31 December	17	**142.34**	**384.65**
Memorandum:			
Net cash flow from operating and investing activities		(158.89)	(1,819.36)
Acquisition of subsidiaries, net of cash acquired		114.10	1,899.91
Exceptional operating items – cash flows		68.20	22.35
Nestlé payment relating to pre-merger liabilities	29	13.30	-
Free cash flow before acquisitions and exceptional operating items		**36.71**	**102.90**

The notes on pages 27 to 87 form an integral part of the consolidated financial statements.

Notes
(forming part of the financial statements)

1 Accounting policies

1.1 General

Froneri Limited (the "Company") is a private company incorporated, domiciled and registered in England in the UK. The registered number is 10136349 and the registered address is Richmond House, Leeming Bar, Northallerton, North Yorkshire, DL7 9UL.

The group financial statements consolidate those of the Company and its subsidiaries (together referred to as the "group"). The parent company financial statements present information about the Company as a separate entity and not about its group.

The group financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), interpretations issued by the IFRS Interpretations Committee (IFRS IC), and the Companies Act 2006 applicable to companies reporting under IFRS. The Company has elected to prepare its parent company financial statements in accordance with FRS 101; these are presented on pages 88 to 99 of these financial statements.

The accounting policies set out below have, unless otherwise stated, been applied consistently to the period presented in these group financial statements. Judgements made by the directors that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 1.21.

Restatement

The comparative period as presented has been restated following the finalisation of the provisional purchase price accounting resulting from the joint venture on 30 September 2016 (see note 31).

Going concern

At 31 December 2017, the group had net assets of €186.36 million (2016: €403.90 million (restated)).

The Directors have considered this position, together with the company and the group's budgets and positive net current assets position, and after making appropriate enquiries, the Directors consider that the company has adequate resources to continue in operational existence for the foreseeable future and therefore adopt the going concern basis for the preparation of the financial statements.

Rounding

Due to rounding, numbers presented in these financial statements may not add precisely to the totals shown.

1.2 Measurement convention

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: (a) all assets and liabilities subject to initial recognition at provisional fair value and revision to fair value under IFRS 3 Business Combinations in relation to the acquisition by Froneri Limited that created the Froneri group of companies; and (b) employee benefits assets and liabilities relating to post-employment arrangements. Non-current assets and disposal groups held for sale, where applicable, are stated at the lower of previous carrying amount and fair value less costs to sell.

Notes *(continued)*

1 Accounting policies *(continued)*

1.3 Basis of consolidation

Subsidiaries and business combinations

Subsidiaries are entities controlled by the group. The group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In assessing control, the group takes into consideration potential voting rights. The acquisition date is the date on which control is transferred to the acquirer. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance. The accounting policies of subsidiaries are changed as necessary to align them with the policies adopted by the group.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

1.4 Foreign currency

The functional currency of each group entity is the currency of the primary economic environment in which the group entity operates. The financial statements are presented in Euros, which is the presentational currency of the group.

Transactions in foreign currencies are translated to the respective functional currencies of group entities at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement except for differences arising on the retranslation of a financial liability designated as a hedge of the net investment in a foreign operation that is effective, or qualifying cash flow hedges, which are recognised directly in other comprehensive income. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to the group's presentational currency, the Euro, at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated at an average rate for the year (or relevant period, where shorter) where this rate approximates to the foreign exchange rates ruling at the dates of the transactions.

The group applies hedge accounting to foreign currency differences arising between the functional currency of the net assets of the UK and Australian operations and the group's functional currency (Euro). To the extent that the hedge is effective, foreign currency differences arising on the translation of a financial liability designated as a hedge of a net investment in a foreign operation are recognised in and accumulated in the currency translation reserve; any remaining differences are recognised in profit or loss. When the hedged net investment is disposed of, the relevant amount in the translation reserve is transferred to profit or loss as part of the gain or loss on disposal.

Notes *(continued)*

1 Accounting policies *(continued)*

1.5 Classification of financial instruments issued by the group

An instrument is a liability when the group can be required to deliver either cash or another financial asset to the holder. An instrument is classified as equity when it represents a residual interest in the net assets of the group. Financial instruments issued by the group are treated as equity only to the extent they meet the following two conditions:

- they include no contractual obligations upon the group to deliver cash or other financial assets, or to exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the group; and
- where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability.

1.6 Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, trade and other payables, and loans and borrowings.

Trade and other receivables

Trade and other receivables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

Trade and other payables

Trade and other payables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the group's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

1.7 Derivative financial instruments and hedging

Derivative financial instruments

Derivative financial instruments are recognised at fair value. The gain or loss on re-measurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged (see below).

1.8 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Notes *(continued)*

1 Accounting policies *(continued)*

1.8 Property, plant and equipment (continued)

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Leases in which the group assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Where land and buildings are held under leases, the accounting treatment of the land is considered separately from that of the buildings. Leased assets acquired by way of finance lease are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and less accumulated impairment losses.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, less any estimated residual value. Land is not depreciated. The estimated useful lives are as follows:

- Buildings 40 to 50 years
- Plant and equipment 3 to 15 years

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

Assets in the course of construction are stated at cost. Depreciation is not charged until assets are bought into use.

1.9 Business combinations

All business combinations are accounted for by applying the acquisition method. Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the group. The group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss. Costs related to the acquisition, other than those associated with the issue of debt or equity securities, are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not re-measured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

If share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards), then all or a portion of the amount of the acquirer's replacement award is included in measuring the consideration transferred in the business combination. This determination is based on the market-based measure of the replacement awards compared with market-based measure of the acquiree's awards and the extent to which the replacement awards to the pre-combination service.

Determination of fair values on business combinations

Fair values have been determined for measurement and / or disclosure purposes based on the following methods.

Notes *(continued)*

1 Accounting policies *(continued)*

1.9 Business combinations (continued)

Determination of fair values on business combinations (continued)

Property, plant and equipment

The fair value of property, plant and equipment recognised as a result of a business combination is based on market values. The market value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The market value of items of plant and equipment is based on the quoted market prices for similar items or depreciated replacement cost where quoted market prices are not available.

Intangible assets

The fair value of intangible assets is calculated using methods which reflect the value that the group would have paid for the assets in an arm's length transaction. Such methods include where appropriate, discounting estimated future net cash flows from the asset and applying multiples to royalty streams that could be obtained by licensing the intangible asset.

Inventories

The fair value of inventories acquired in a business combination is determined based on its estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventory.

Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of the amounts to be received, determined at appropriate interest rates less allowance for bad debts. Discounting has not been applied to current receivables.

Financial Instruments

The fair value of interest rate and foreign exchange derivatives is the estimated amount that the group would receive or pay to terminate the derivative at the balance sheet date, taking into account current interest rates and foreign exchange rates and the current creditworthiness of the derivative counterparties.

Trade and other payables

The fair value of trade and other payables is estimated as the present value of the amounts to be paid, determined at appropriate interest rates. Discounting has not been applied to current payables.

1.10 Intangible assets and goodwill

Goodwill

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is not amortised but is tested annually for impairment. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment in the investee.

Research and development

Expenditure on research activities is recognised in the income statement as an expense as incurred.

Notes *(continued)*

1 Accounting policies *(continued)*

1.10 Intangible assets and goodwill (continued)

Research and development (continued)

Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the group intends to and has the technical ability and sufficient resources to complete development, future economic benefits are probable and if the group can measure reliably the expenditure attributable to the intangible asset during its development. Development activities involve a plan or design for the production of new or substantially improved products or processes. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads and capitalised borrowing costs. Other development expenditure is recognised in the income statement as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and less accumulated impairment losses.

Other intangible assets

Expenditure on internally generated goodwill and brands is recognised in the income statement as an expense as incurred.

Other intangible assets that are acquired by the group are stated at cost less accumulated amortisation and accumulated impairment losses.

Amortisation

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Goodwill is systematically tested for impairment at each balance sheet date. Other intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

- Customer relationships 10 – 20 years
- Brands and trademarks 20 years
- Computer software and development costs 3 – 10 years

1.11 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is based on the first-in first-out or weighted average principle and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

1.12 Impairment excluding inventories

Financial assets (including receivables)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Notes *(continued)*

1 Accounting policies *(continued)*

1.12 Impairment excluding inventories (continued)

Non-financial assets

The carrying amounts of the group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units, or ("CGU"). Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a *pro rata* basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

1.13 Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement in the periods during which services are rendered by employees.

Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The group's net obligation in respect of defined benefit pension plans and other post-employment benefits is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets (at bid price) are deducted. The group determines the net interest on the net defined benefit liability/asset for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability/(asset).

The discount rate is the yield at the reporting date on bonds that have a credit rating of at least AA that have maturity dates approximating the terms of the group's obligations and that are denominated in the currency in which the benefits are expected to be paid.

Notes *(continued)*

1 Accounting policies *(continued)*

1.13 Employee benefits (continued)

Defined benefit plans (continued)

Re-measurements arising from defined benefit plans comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest). The group recognises them immediately in other comprehensive income and all other expenses related to defined benefit plans in employee benefit expenses in profit or loss.

The calculation of the defined benefit obligations is performed by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the group, the recognised asset is limited to the present value of benefits available in the form of any future refunds from the plan or reductions in future contributions and takes into account the adverse effect of any minimum funding requirements.

The group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs. The gain or loss on a settlement is the difference between the present value of the defined benefit obligation being settled as determined on the date of settlement and the settlement price, including any plan assets transferred and any payments made directly by the group in connection with the settlement.

Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Share-based payment transactions

Share-based payment arrangements in which the group receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions, regardless of how the equity instruments are obtained by the group.

The grant date fair value of share-based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the awards. The fair value of the options granted is measured using an option valuation model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Share-based payment transactions in which the group receives goods or services by incurring a liability to transfer cash or other assets that is based on the price of the group's equity instruments are accounted for as cash-settled share-based payments. The fair value of the amount payable to employees is recognised as an expense, with a corresponding increase in liabilities, over the period in which the employees become unconditionally entitled to payment. The liability is re-measured at each balance sheet date and at settlement date. Any changes in the fair value of the liability are recognised as personnel expense in profit or loss.

1.14 Provisions

A provision is recognised in the consolidated statement of position when the group has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

Notes *(continued)*

1 Accounting policies *(continued)*

1.15 Revenue

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have transferred to the buyer (which is when the goods are despatched), recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

1.16 Expenses

Operating lease payments

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense.

Finance lease payment

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Financing income and expenses

Financing expenses comprise interest payable, finance charges on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the income statement (see foreign currency accounting policy). Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial time to be prepared for use, are capitalised as part of the cost of that asset. Financing income comprise interest receivable on funds invested, dividend income, and net foreign exchange gains.

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method. Dividend income is recognised in the income statement on the date the entity's right to receive payments is established.

1.17 Taxation

Tax on the profit or loss for the period comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

1.18 Non-current assets held for sale and discontinued operations

A non-current asset or a group of assets containing a non-current asset (a disposal group) is classified as held for sale if its carrying amount will be recovered principally through sale rather than through continuing use, it is available for immediate sale and sale is highly probable within one year.

Notes *(continued)*

1 Accounting policies *(continued)*

1.18 Non-current assets held for sale and discontinued operations (continued)

On initial classification as held for sale, non-current assets and disposal groups are measured at the lower of previous carrying amount and fair value less costs to sell with any adjustments taken to profit or loss. The same applies to gains and losses on subsequent re-measurement although gains are not recognised in excess of any cumulative impairment loss. Any impairment loss on a disposal group first is allocated to goodwill, and then to remaining assets and liabilities on *pro rata* basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, and employee benefit assets, which continue to be measured in accordance with the group's accounting policies. Intangible assets and property, plant and equipment once classified as held for sale or distribution are not amortised or depreciated.

A discontinued operation is a component of the group's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative income statement is restated as if the operation has been discontinued from the start of the comparative period.

1.19 Forthcoming changes to accounting standards

The following new standards are not yet in force. When adopted by the group, these may have some effect on the results and/or presentation of the financial statements:

- IFRS 9 Financial Instruments (effective date 1 January 2018) addresses the classification, measurement and recognition of financial assets and liabilities. The group does not expect that the standard will have a material impact on the group but will finalise its assessment during 2018.
- IFRS 15 Revenue from Contract with Customers (effective date 1 January 2018). Deals with revenue recognition. Revenue is recognised when a customer obtains control of a good or service and has ability to direct use and obtain the benefits. The group does not expect that the standard will have a material impact on the group but will finalise its assessment during 2018.
- IFRS 16 Leases (effective date 1 January 2019) requires lessees to recognise assets and liabilities for almost all leases unless the lease term is 12 months or less or the underlying asset is of low value. This represents a significant change in the accounting and reporting of leases. The group is intending to apply IFRS 16 from 1 January 2018 in its annual financial statements for the year ending 2018. We expect to report an increase in property, plant and equipment as a result of bringing leased assets onto the balance sheet and a corresponding increase in lease liabilities. We expect the change to increase the group's EBITDAE as a result of taking out lease payments treated as an operating expense and instead recognising a depreciation charge on the assets recognised. This will be partially or entirely offset by a higher interest expense. We therefore expect in overall terms an insignificant impact on net losses. The group is currently finalising the precise impact of the new standard. The group is intending to adopt a modified retrospective approach to not restate prior years.

No new standards, amendments or interpretations, effective for the first time for the financial period have had a material impact on the group.

1.20 Non-IFRS measures

Exceptional items

The group presents as exceptional items on the face of the income statement those material items of income or expense which, because of the nature and expected infrequency of the events giving rise to them, merit separate presentation. This allows users of the financial statements to better understand the elements of financial performance in the year, so as to better assess trends in financial performance.

Notes *(continued)*

1 Accounting policies *(continued)*

1.20 Non-IFRS measures (continued)

EBITDAE

The group uses EBITDAE as a measure to monitor the performance of the group. The group defines EBITDAE as operating result prior to net interest charges (or income), tax, depreciation and amortisation, and before exceptional items. There are no adjustments for the full year effect of acquisitions, mergers or other similar corporate transactions.

The use and disclosure of EBITDAE allows users to better understand the elements of financial performance and to better assess trends between periods.

1.21 Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the reported values of assets, liabilities, revenues and expenses. The estimates and associated assumptions are based on historical experience and other judgements reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from those estimates. Significant areas of estimates and judgement for the group are:

- Measurement of fair value assets and liabilities acquired as part of business combinations. On the acquisition of businesses, significant judgements are required in respect of the fair value of intangible assets, such as brands and customer relationships, the fair value of Property, plant and equipment and other assets. In 2016 a provisional fair value exercise was undertaken in respect of the merger of R&R and part of the ice cream and frozen food businesses of Nestlé. This exercise was completed in 2017. Significant judgements have been made in respect of the market value of land and buildings including assumptions in respect to sales value; and estimates in respect of the depreciated replacement cost of specialist manufacturing facilities, and plant and machinery; the valuation of owned brands based on the royalty relief method, including assumptions in respect of sales, market royalty rates and the application of discount factors; and the valuation of customer relationships based on using the Multi-period excess earnings approach including assumptions in respect of future cash flow projections and the application of discount factors (note 9).

- Discount factors, future cash flow projections and other assumptions used in impairment models to assess the carrying value of the group's cash generating units, including goodwill. The assumptions are set out in note 10.

- Discount factors and various assumptions used in the valuation of defined benefit pension assets and liabilities, and similar post-retirement medical and other benefits. The actuarial assumptions and sensitivity analysis applied are set out in note 21.

- Measurement and recognition of current and deferred tax assets and provisions. The group is subject to income tax in numerous jurisdictions. Significant judgement is required in determining current tax liabilities and in the recognition of deferred tax assets and liabilities; and this includes reassessing judgements formed in previous periods when circumstances change, such as changes in legislation, dialogue with tax authorities or other factors. Where this is the case, the judgement exercised in these matters may cause the group to alter balances from the amount initially recognised, and such differences will impact the current and deferred income tax assets/ liabilities and credit/ charge in the period of determination. Judgement is also required in respect of the utilisation of tax losses. Deferred tax assets are only recognised to the extent that their utilisation is supported by future forecasts of profitability (note 14).

Notes *(continued)*

2 Revenue

All of the group's revenues for the period relate to the group's primary activity: the production, distribution and sale of ice cream, frozen food and chilled dairy products. The group manages its businesses based on geographic segments as reported to the management board.

The results of the group under the key management reporting segments as reported to the management board of the group are as follows:

	Year ended 31 December 2017 €m	3 month period ended 31 December 2016 €m
Revenue:		
Europe	2,017.44	266.04
Africa	125.14	36.64
Rest of the world	370.49	112.90
	2,513.07	**415.58**

	Year ended 31 December 2017 €m	3 month period ended 31 December 2016 €m
EBITDAE:		
Europe	247.78	(57.32)
Africa	18.72	1.56
Rest of the world	51.45	16.51
	317.95	**(39.25)**

Refer to note 3 for a reconciliation of loss for the year to EBITDAE.

Notes *(continued)*

3 Reconciliation of net result to EBITDAE

The group defines EBITDAE as operating result prior to net interest charges (or income), tax, depreciation and amortisation, and before exceptional items. There are no adjustments for the full year effect of acquisitions, mergers or other similar corporate transactions.

The group's net result after taxation for the period reconciles to EBITDAE as follows:

	Year ended 31 December 2017 €m	Restated (a) 3 month period ended 31 December 2016 €m
Loss for the period	**(174.70)**	**(204.27)**
Taxation income	(7.40)	(11.89)
Loss before taxation	**(182.10)**	**(216.16)**
Net financing expense	212.43	75.13
Exceptional items	119.10	63.11
Operating profit/(loss) before exceptional items	**149.43**	**(77.92)**
Depreciation – of owned assets	109.58	24.56
Depreciation – of leased assets	2.25	0.29
Impairment of property, plant and equipment	0.82	-
Amortisation – of acquired intangible assets	49.87	12.81
Amortisation – of other intangible assets (software)	3.11	0.93
Impairment of intangible assets	0.29	-
Loss on disposal of fixed assets	2.60	0.08
EBITDAE	**317.95**	**(39.25)**

Note (a) - for details of restatement see note 31.

4 Exceptional items

The table below shows an analysis of the items separately disclosed on the face of the consolidated income statement. The group considers exceptional items by reference to their nature, size or incidence, for separate disclosure and reporting of the underlying operating results of the group. Exceptional items for the period are as follows:

For the year ended 31 December 2017	Within Cost of sales €m	Within Distribution expenses €m	Within Administrative expenses €m	TOTAL €m
Merger-related transaction costs	-	-	(1.84)	**(1.84)**
Integration and restructuring costs	25.43	8.70	84.05	**118.18**
Litigation costs	-	-	2.03	**2.03**
Other exceptional items	0.50	-	0.23	**0.73**
	25.93	8.70	84.47	**119.10**

Notes *(continued)*

4 Exceptional items *(continued)*

For the 3 month period ended 31 December 2016	Within Cost of sales €m	Within Distribution expenses €m	Within Administrative expenses €m	TOTAL €m
Merger-related transaction costs	-	0.55	28.33	**28.88**
Integration and restructuring costs	1.89	1.45	3.27	**6.61**
Litigation costs	-	-	2.91	**2.91**
Other exceptional items	24.67	0.07	(0.03)	**24.71**
	26.56	2.07	34.48	**63.11**

Merger-related transaction costs

In the three-month period ended 31 December 2016 the group incurred material, one-off costs relating to the merger transaction. This transaction was highly complex, and combined simultaneous acquisitions, mergers, demergers and corporate restructuring of the constituent businesses, together with a refinancing of the group's debt facilities. There were also a number of shared costs assumed from the various businesses contributed to the new joint venture and similar tax costs, which are for the account of Froneri Limited and its subsidiaries.

In the year ended 31 December 2017 the group has recognised a net credit of €1.84 million in respect of a revision to its estimate of transaction costs to be incurred based on actual expenditure in the year.

Integration and restructuring costs

In 2017 the group has implemented a number of restructuring and integration projects across the countries in order to realign the business model and manufacturing footprint in certain markets, as well as continuing operational improvements and similar activities. This included the closure of two factories and redundancy programmes.

In Brazil the group incurred costs of €24.50 million related to the restructure of its sales tax arrangements.

The group expects to continue to incur restructuring and integration costs, due to the medium-term plans to restructure and remodel the group's business operations and systems; arising from the plans to obtain synergies envisaged by the merger.

Litigation costs

This represents one-off legal fees which have been classified as exceptional on the grounds of their magnitude or incidence. In 2017 the group has continued to incur legal fees in respect of litigation by franchisees in respect of the former Nestlé business. Those costs of €2.47 million are offset by the receipt of settlement costs from the termination of a distribution contract of €2.19 million. Other costs of €1.75 million relate to ongoing litigation with former employees of the group.

In 2016 these fees include pending litigation by franchisees in respect of the former Nestlé businesses, litigation with respect to receivables from material customers and similar legal cases.

Notes *(continued)*

4 Exceptional items *(continued)*

Other exceptional items

This represents other non-recurring items arising in the period. In 2016 this included:

- €24.80 million within Cost of sales as a result of an increase to fair value of inventory acquired, which reduced post-acquisition profits. Under *IFRS 3 Business Combinations*, the group identified an increase to the inventory held at the time of the merger, from net book value to fair value, based on net realisable sales value, less reasonable costs to complete, distribute and sell the inventory, and a reasonable profit margin. This adjustment had the effect of increasing post-merger cost of sales, and reducing gross margin in the period ended 31 December 2016. This is a one-off impact. Removing this from the results of the period will also assist the comparability of trading performance between this period and future periods. The group has therefore shown this effect within exceptional items. There was no cash impact of this adjustment.
- Recharges of costs related to former share schemes, and their closure;
- Tax credits arising in relation to staff costs and/or research and development expenditure, which are not expected to recur due to the group's intention to re-model its operating activities in this regard; and
- Other one-off items unrelated to normal trading and operations.

5 Operating profit/(loss) after exceptional items

Included in profit/(loss) for the period are the following:

	Year ended 31 December 2017 €m	Restated (a) 3 month period ended 31 December 2016 €m
Depreciation of property, plant and equipment:		
- Owned assets	109.58	24.56
- Assets held under finance leases	2.25	0.29
Impairment of property, plant and equipment	0.82	-
Amortisation of intangible assets	52.98	13.74
Impairment of intangible assets	0.29	-
Operating lease charges	20.48	6.92
Research and development expensed as incurred	23.95	5.87
Net foreign exchange loss	23.31	27.18
Loss on disposal of fixed assets	2.60	0.08
Exceptional items (as further described in note 4 to these financial statements)	119.10	63.11

Note (a) - for details of restatement see note 31.

Notes *(continued)*

5 Operating profit/(loss) after exceptional items (continued)

Auditors' remuneration

	Year ended 31 December 2017 €m	3 month period ended 31 December 2016 €m
Audit services		
Audit of the parent company and these financial statements	0.20	0.17
Audit of the company's subsidiaries	1.98	1.55
Other services to the company and its subsidiaries		
Taxation compliance services	0.11	0.19
Taxation advisory services	0.12	-
Corporate finance services	-	-
All other services	-	0.03
Remuneration to other auditors of various of the group's subsidiaries, in respect of:		
Audit of financial statements of subsidiaries of the subsidiaries	-	0.38
Other assurance services	-	0.28

Amounts paid to the company's auditors and their associates in respect of services to the company, other than the audit of the company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis.

6 Staff numbers and costs

The monthly average number of persons employed by the group (including directors) during the period, analysed by category, was as follows:

	Average number of employees Year ended 31 December 2017	Average number of employees 3 month period ended 31 December 2016
Production	6,101	6,105
Sales, marketing and distributions	4,851	4,884
Administrative and other roles	1,813	2,033
	12,765	**13,022**

The aggregate payroll costs of these persons were as follows:

	Year ended 31 December 2017 €m	3 month period ended 31 December 2016 €m
Wages and salaries	400.14	110.78
Social security costs	79.54	24.10
Other pension costs	23.56	6.85
	503.24	**141.73**

Notes (continued)

6 Staff numbers and costs *(continued)*

The geographical location of employees at 31 December 2016 and 31 December 2017 is as follows:

	Number of employees 31 December 2017	Number of employees 31 December 2016
UK	766	758
Germany	2,350	2,599
Egypt	1,630	2,278
France	954	1,192
Spain	734	755
Switzerland	573	633
Brazil	504	572
Russia	456	572
Italy	544	489
Australia	443	452
Poland	500	388
Argentina	195	299
Philippines	206	239
Bulgaria	178	234
Greece	106	204
South Africa	169	197
Finland	173	195
Austria	101	110
Adriatics	114	101
Romania	12	11
	10,708	**12,278**

The aggregate remuneration of the directors for the period were as follows:

	Year ended 31 December 2017 €m	3 month period ended 31 December 2016 €m
Directors' remuneration	1.72	0.27
Aggregate contributions to defined contribution pension schemes	-	-
	1.72	**0.27**

The aggregate remuneration of the highest paid director in the period was €1.43 million (2016: €0.27 million). During the period, the group made no payments into defined contribution or defined benefit pension schemes on behalf of the directors. During the period, there were 3 directors participating in the Company's share scheme.

Notes (continued)

7 Financial income and expenses

Finance income and expenses recognised in the consolidated income statement are as follows:

	Year ended 31 December 2017	3 month period ended 31 December 2016
	€m	€m
Financial income		
Net gain on financial instruments designated as fair value through profit or loss	1.07	1.05
Interest income on bank deposits	1.34	0.35
Net foreign exchange gain	6.25	3.39
Other interest income	0.49	0.40
Total financial income	**9.15**	**5.19**
Financial expenses		
Interest expense on shareholder loan notes	109.64	27.39
Interest expense on term loans	27.91	7.17
Interest expense on shareholder loans	38.86	11.03
Interest expense on overdrafts and other short-term borrowings	4.65	1.64
Accrued dividend returns on preference shares	4.53	1.11
Amortisation of financing costs	1.95	0.44
Interest expense on finance lease obligations	1.29	0.36
Other interest expenses	2.79	0.61
Net foreign exchange loss	29.56	30.57
Loss on derivative financial instruments	0.40	-
Total financial expenses	**221.58**	**80.32**
Net financing expense	**212.43**	**75.13**

Notes *(continued)*

8 Taxation

Taxation income and expenses recognised in the consolidated income statement are as follows:

	Year ended 31 December 2017	Restated (a) 3 month period ended 31 December 2016
	€m	€m
Current tax expense		
Current period	28.29	3.56
Adjustments for prior periods	(0.26)	-
Current tax expense	**28.03**	**3.56**
Deferred tax income		
Origination and reversal of temporary differences	(32.36)	(15.45)
Adjustment for prior years	(3.07)	-
Deferred tax income	**(35.43)**	**(15.45)**
Total tax income	**(7.40)**	**(11.89)**

Note (a) - for details of restatement see note 31.

Income tax recognised in other comprehensive expense is as follows:

	Year ended 31 December 2017	3 month period ended 31 December 2016
	€m	€m
Deferred tax changes on re-measurements of defined benefit pension liability	4.41	2.43
Income tax expenses recognised in other comprehensive expense	**4.41**	**2.43**

Notes (continued)

8 Taxation *(continued)*

Reconciliation of effective tax rate:

	Year ended 31 December 2017 €m	Restated (a) 3 month period ended 31 December 2016 €m
Loss for the year/period	**174.70**	**204.27**
Total tax income for the year/period	7.40	11.89
Loss before taxation	**182.10**	**216.16**
Tax using the UK corporation tax rate of 19.25% (2016: 20.00%)	35.05	43.23
Effect of tax rates in foreign jurisdictions	12.47	6.40
Impact of change of tax rate on deferred tax	17.12	-
Non-deductible expenses and non-chargeable income	(34.58)	6.97
Current period losses for which no deferred tax asset was recognised	(25.99)	(44.71)
Under/over recovery in prior periods - current tax	0.26	-
- deferred tax	3.07	-
Total tax income	**7.40**	**11.89**

Note (a) - for details of restatement see note 31.

Current tax charge

The total current tax expense of €28.03 million (2016: €3.56 million) mainly relates to corporation tax payable by overseas entities.

Deferred tax income

The total deferred tax income of €35.43 million (2016: €15.45 million) mainly relates to the utilisation of deferred tax liabilities on the amortisation of intangible and tangible assets, which have been recognised as a result of the purchase price allocation exercise, offset by the utilisation of deferred tax losses against taxable profits arising in the year.

The deferred tax balances within the group have been recognised at the rate of 17% (2016: 18.5%) in respect of the UK tax group and at the prevailing rates in the case of overseas subsidiaries.

Uncertain tax positions

The group is required to estimate the corporation tax payable in each of the tax jurisdictions in which it operates. The recognition of tax benefits and assessment of provisions against tax benefits requires management to make estimates and judgements, based on tax rules which can be complex and subject to interpretation. Actual tax liabilities may differ from the provisions, as a result of tax audits, dialogue with tax authorities or changes in tax legislation.

Notes *(continued)*

9 Acquisitions of subsidiaries

On 1 October 2016, Froneri acquired the entire activities of R&R for an equity value of €936.65 million and the former ice cream and frozen food businesses of Nestlé in certain geographies for an aggregate equity value of €1,280.81 million (including final completion payments and a reassessment of current tax liabilities which the group has agreed to reimburse Nestlé). The acquisition was structured as a joint venture between the group's main shareholders: Nestlé and PAI Partners. The joint venture will capitalise on the complementary strengths and innovation expertise of the two companies. It will combine Nestlé's strong and successful brands and experience in 'out-of-home' distribution with R&R's competitive manufacturing model and significant presence in retail.

The former R&R group joined the joint venture in its entirety. Nestlé contributed its ice cream businesses in Europe, Egypt, the Philippines, Brazil and Argentina and also transferred its European frozen food businesses, excluding pizza. This combination gives the proposed joint venture a presence in both developed and emerging markets across the northern and southern hemispheres in complementary channels.

Effect of acquisitions

In the year ended 31 December 2017 the purchase price allocation exercise was completed, and certain assets, liabilities and valuations have changed. The final valuation of assets and liabilities acquired and their related adjustments are shown below.

Notes (continued)

9 Acquisitions of subsidiaries *(continued)*

Final fair values arising on the joint venture

€m	Pre-acquisition carrying amounts	Fair value adjustments	Fair values on acquisition
Property, plant and equipment	674.34	106.09	**780.43**
Intangible assets	10.72	742.74	**753.46**
Non-current financial assets	29.32	-	**29.32**
Deferred tax assets	50.62	11.26	**61.88**
Inventories	234.32	24.76	**259.08**
Trade and other receivables	490.84	-	**490.84**
Current tax asset	4.09	-	**4.09**
Cash and cash equivalents	182.54	-	**182.54**
Current financial assets	4.98	-	**4.98**
Assets classified as held for sale	5.15	(0.77)	**4.38**
Non-current liabilities - Financial liabilities	(979.73)	-	**(979.73)**
Non-current liabilities - Deferred tax liabilities	(15.47)	(243.78)	**(259.25)**
Non-current liabilities - Provisions	(9.03)	-	**(9.03)**
Non-current liabilities - Employment obligations	(107.34)	-	**(107.34)**
Current liabilities - Trade and other payables	(540.52)	-	**(540.52)**
Current liabilities - Financial liabilities	(14.13)	-	**(14.13)**
Current liabilities – Current tax	(14.51)	-	**(14.51)**
Current liabilities - Provisions	(16.50)	-	**(16.50)**
Net identifiable assets and liabilities	(10.31)	640.30	**629.99**

Residual Goodwill	1,587.47
Total consideration	**2,217.46**
Satisfied by:	
Fair value of consideration paid in cash	2,082.45
Completion payment in 2017	114.10
Tax liabilities to be paid	20.91
Total consideration	**2,217.46**
Less: consideration to be paid	(20.91)
Cash acquired	(182.54)
Net cash outflow on acquisition	**2,014.01**

Notes (continued)

9 Acquisitions of subsidiaries *(continued)*

Provisional fair values as presented in 2016

€m	Pre-acquisition carrying amounts	Fair value adjustments	Provisional fair values on acquisition
Property, plant and equipment	674.34	113.92	**788.26**
Intangible assets	10.71	693.48	**704.19**
Non-current financial assets	29.32	-	**29.32**
Deferred tax assets	50.62	11.26	**61.88**
Inventories	234.32	24.76	**259.08**
Trade and other receivables	497.97	-	**497.97**
Current tax asset	4.09	-	**4.09**
Cash and cash equivalents	182.54	-	**182.54**
Current financial assets	5.55	-	**5.55**
Non-current liabilities - Financial liabilities	(979.73)	-	**(979.73)**
Non-current liabilities - Deferred tax liabilities	(15.47)	(229.19)	**(244.66)**
Non-current liabilities - Provisions	(9.03)	-	**(9.03)**
Non-current liabilities - Employment obligations	(107.34)	-	**(107.34)**
Current liabilities - Trade and other payables	(540.52)	-	**(540.52)**
Current liabilities - Financial liabilities	(14.13)	-	**(14.13)**
Current liabilities – Current tax	(14.51)	-	**(14.51)**
Current liabilities - Provisions	(13.31)	-	**(13.31)**
Net identifiable assets and liabilities	(4.58)	614.23	**609.65**

Goodwill on acquisition	1,633.72
Total consideration	**2,243.37**
Satisfied by:	
Fair value of consideration paid in cash	2,082.45
Estimate of deferred consideration to be paid	128.00
Estimate of tax liabilities to be paid (treated as consideration)	32.92
Total consideration	**2,243.37**
Less: consideration to be paid	(160.92)
Cash acquired	(182.54)
Net cash outflow on acquisition	**1,899.91**

Goodwill arises on the acquisition because of: potential revenue synergies expected as a result of cross-selling and international growth opportunities arising from utilising Froneri's new owned and licenced brands and from its private label business; savings on operating costs and capital expenditure as a result of joint efficiencies expected from being part of the new group; and the value inherent in the workforce and its expertise.

Fair value adjustments

Management reviewed the fair value of the following asset categories, and used the following basis of valuation in respect of each asset class:

- Customer relationships: multi-period excess earnings methodology, applied where applicable to retail relationships, distribution relationships and direct sales relationships;
- Brands and trademarks: royalty relief methodology, taking into account industry norms for royalty rates;

Notes *(continued)*

9 Acquisitions of subsidiaries *(continued)*

Fair value adjustments (continued)

- Land and buildings: certain land and buildings were valued on a market values approach (which included significant judgements with respect to sales value) and certain other land and buildings were valued on a depreciated replacement cost approach, due to the specialist nature of the assets;
- Plant and equipment: depreciated replacement cost approach;
- Inventories: fair value, based on net realisable sales value, less reasonable costs to complete, distribute and sell the inventory, and a reasonable profit margin.

Deferred consideration

During 2017 the group paid to Nestlé additional consideration of €114.10 million based on the agreed working capital, net cash, and selected business provisions of the former Nestlé ice cream and frozen food businesses, as at the completion date. In addition, the group has agreed to settle certain tax liabilities related to the transaction which will be payable. A total of €32.92 million was accrued at 31 December 2016 and has reduced due to a revision of estimates (€20.91 million at 31 December 2017).

Acquisition related costs

The group incurred costs of €28.88 million in relation to the merger transaction. These costs are predominantly transaction-related 'shared costs' (such as consultants, legal fees and other advisers' fees and costs) and tax costs arising within the group's various subsidiaries and certain other liabilities that the group has committed to settle, generally arising as a result of the complex series of transactions that formed the new group.

These costs have been for the most part included in administrative expenses in the group's consolidated income statement, disclosed as exceptional items for the relevant period, and explained further in note 4 to these financial statements.

Contingent liabilities acquired

There were no contingent liabilities acquired as part of the transaction.

Pro Forma revenue and profit disclosures of acquired businesses

The group are not able to present any pro forma revenue and profits of the businesses acquired because it does not have separately reported results from incorporation, particularly in respect of the Nestlé ice cream and frozen food businesses because they were historically not reported separately, or managed as standalone businesses.

Notes (continued)

10 Intangible assets

	Goodwill	Customer relationships	Brands and trademarks	Software	Total
	€m	€m	€m	€m	€m
Cost					
Balance at incorporation, 20 April 2016	-	-	-	-	-
Acquisitions through business combinations (restated (a))	1,587.47	658.80	83.95	10.71	**2,340.93**
Other additions	-	-	-	1.77	**1.77**
Effect of movements in foreign exchange (restated (a))	(21.94)	(20.34)	0.54	0.22	**(41.52)**
Balance at 31 December 2016 (restated (a))	1,565.53	638.46	84.49	12.70	**2,301.18**
Balance at 1 January 2017	1,565.53	638.46	84.49	12.70	**2,301.18**
Other additions	-	0.22	-	19.19	**19.41**
Effect of movements in foreign exchange	(48.48)	(19.89)	(3.09)	(0.16)	**(71.62)**
Disposals	-	-	-	(0.28)	**(0.28)**
Balance at 31 December 2017	1,517.05	618.79	81.40	31.45	**2,248.69**
Accumulated amortisation and impairment					
Balance at incorporation, 20 April 2016	-	-	-	-	-
Amortisation for the period (restated (a))	-	11.74	1.06	0.94	**13.74**
Impairment charge	-	-	-	-	-
Effect of movements in foreign exchange (restated (a))	-	(0.08)	(0.01)	(0.01)	**(0.10)**
Balance at 31 December 2016 (restated (a))	-	11.66	1.05	0.93	**13.64**
Balance at 1 January 2017	-	11.66	1.05	0.93	**13.64**
Amortisation for the year	-	45.49	4.38	3.11	**52.98**
Impairment charge	-	-	-	0.29	**0.29**
Effect of movements in foreign exchange	-	(0.95)	(0.21)	(0.02)	**(1.18)**
Disposals	-	-	-	(0.23)	**(0.23)**
Balance at 31 December 2017	-	56.20	5.22	4.08	**65.50**
Net book value					
At incorporation, 20 April 2016	-	-	-	-	-
At 31 December 2016 and 1 January 2017 (restated (a))	1,565.53	626.80	83.44	11.77	**2,287.54**
At 31 December 2017	1,517.05	562.59	76.18	27.37	**2,183.19**

Note (a) - for details of restatement see note 31.

Notes (continued)

10 Intangible assets *(continued)*

Amortisation and impairment charge

The amortisation and impairment charge is recognised in the following line items in the income statement:

	2017 €m	Restated (a) 2016 €m
Cost of sales	-	-
Distribution expenses	-	-
Administrative expenses	53.27	13.74
	53.27	**13.74**

Note (a) – for details of restatement see note 31

The remaining average useful economic lives of the intangible assets at 31 December 2016 and 31 December 2017 were:

	2017 Years	2016 Years
Customer relationships	13.75	14.75
Brands and trademarks	18.75	19.75
Software	5.0	3.0

Goodwill is not amortised but systematically tested for impairment at each balance sheet date. Finite life intangible assets are tested when there is an indication of impairment.

The annual impairment tests are performed at the cash generating unit (CGU), or groups of CGU level. The group defines its CGU for goodwill impairment testing based on the way it monitors and derives economic benefits from the acquired goodwill. The impairment tests are performed by comparing the carrying value of the assets of these CGUs with their recoverable amount, based on their value in use, which corresponds to their future projected cash flows discounted at an appropriate pre-tax rate of return. Usually, the cash flows correspond to estimates made by group management in financial plans and business strategies covering a period of three years. They are then projected to perpetuity using a multiple which corresponds to a steady growth rate. The group assesses the uncertainty of these estimates by making sensitivity analyses. The discount rate reflects the current assessment of the time value of money and the risks specific to the CGU (essentially country risk). The business risk is included in the determination of the cash flows. Both the cash flows and the discount rates include inflation.

Impairment reviews have been conducted for 24 items of goodwill, allocated to 15 CGUs. The following five CGUs have been considered as significant with regards to the total goodwill for which detailed results are presented hereafter: United Kingdom, Australia, Germany, France and Switzerland.

Notes (continued)

10 Intangible assets *(continued)*

	Goodwill 2017 €m	Restated (a) Goodwill 2016 €m
UK	361.08	376.13
Australia	294.86	309.69
Germany	234.31	234.31
France	223.76	223.76
Switzerland	87.63	95.86
Subtotal	**1,201.64**	**1,239.75**
as % of total carrying amount	79.2%	79.2%
Other CGUs	315.41	325.78
Total	**1,517.05**	**1,565.53**

Note (a) – for details of restatement see note 31

For each CGU the recoverable amount is higher than its carrying value. The recoverable amount has been determined based upon a value-in-use calculation. Cash flows have been projected over the next five years and have then been extrapolated using a steady terminal growth rate and discounted at a weighted average rate.

The following table summarises the key assumptions for each significant CGU:

	Period of cash flow projections	Annual sales growth	Annual margin	Terminal growth rate	Discount rate
UK	5 years	2.0% to 3.3%	Stable	2.0%	9.5%
Australia	5 years	0.4% to 10.1%	Improvement	2.0%	11.1%
Germany	5 years	-18.1% to 7.6%	Improvement	2.0%	9.5%
France	5 years	2.0% to 5.4%	Improvement	2.0%	11.4%
Switzerland	5 years	-6.3% to 2.0%	Improvement	2.0%	7.8%

The pre-tax discount rates have been computed based on external sources of information.

The cashflows for the first three years were based upon financial plans approved by Management which are consistent with the group's approved strategy for this period. They are based on past performance and current initiatives. The years 4 to 5 and terminal growth rates have been determined to reflect the long-term view of the nominal evolution of the business.

Management believes that no reasonably possible change in any of the above key assumptions would cause the CGU's recoverable amount to fall below the carrying value of the CGUs.

The closeness of the period end of the 31 December 2016 to the date that the joint venture was created (1 October 2016) meant that at 31 December 2016 the impairment testing was performed with reference to the fair value less costs to sell of each CGU.

Notes (continued)

11 Property, plant and equipment

	Land and buildings €m	Plant and equipment €m	Under construction €m	Total €m
Cost				
Balance at incorporation, 20 April 2016	-	-	-	-
Acquisitions through business combinations (restated (a))	316.15	429.70	34.58	**780.43**
Additions	1.05	6.23	13.96	**21.24**
Movement in assets under construction	4.28	16.25	(20.53)	-
Disposals	-	(3.59)	(0.33)	**(3.92)**
Effect of movements in foreign exchange	(3.41)	(21.04)	(1.43)	**(25.88)**
Balance at 31 December 2016 (restated (a))	**318.07**	**427.55**	**26.25**	**771.87**
Balance at 1 January 2017	318.07	427.55	26.25	**771.87**
Additions	3.69	44.67	45.53	**93.89**
Movement in assets under construction	1.45	30.14	(31.25)	**0.34**
Disposals	(6.52)	(19.50)	(0.03)	**(26.05)**
Effect of movements in foreign exchange	(6.22)	(19.03)	0.02	**(25.23)**
Balance at 31 December 2017	**310.47**	**463.83**	**40.52**	**814.82**
Accumulated depreciation and impairment				
Balance at incorporation, 20 April 2016	-	-	-	-
Depreciation charge for the period (restated (a))	4.42	20.43	-	**24.85**
Movement in assets under construction	-	-	-	-
Disposals	(0.01)	(3.17)	-	**(3.18)**
Effect of movements in foreign exchange (restated (a))	(0.05)	(0.96)	-	**(1.01)**
Balance at 31 December 2016 (restated (a))	**4.36**	**16.30**	-	**20.66**
Balance at 1 January 2017	4.36	16.30	-	**20.66**
Depreciation charge for the year	19.31	92.52	-	**111.83**
Impairments	0.04	0.78	-	**0.82**
Disposals	(0.22)	(14.07)	-	**(14.29)**
Reclassification	-	0.12	-	**0.12**
Effect of movements in foreign exchange	(0.43)	(1.38)	-	**(1.81)**
Balance at 31 December 2017	23.06	94.27	-	**117.33**
Net book value				
At incorporation, 20 April 2016	-	-	-	-
At 31 December 2016 and 1 January 2017 (restated (a))	313.71	411.25	26.25	**751.21**
At 31 December 2017	**287.41**	**369.56**	**40.52**	**697.49**

Note (a) - for details of restatement see note 31.

Leased plant and equipment

At the period end the net carrying amount of assets held under finance leases was €11.15 million (2016: €13.96 million). The depreciation expense for the period for leased plant and equipment was €2.25 million (2016: €0.29 million).

Notes (continued)

12 Investments in subsidiaries

The group and Company have investments in subsidiaries as set out in the table below. The table is arranged by continent, then alphabetically by country and entity. The functional currency of each subsidiary is shown.

Subsidiaries	Registered address	Activity	Currency	Country of incorporation	*Ownership interest*
Europe:					
Froneri Austria GmbH	Europaplatz 4 4020 Linz	T	EUR	Austria	100%
Froneri Bulgaria EOOD	261 Lomsko shose Blvd. District Vrabnitsa 1220 Sofia	T	BGN	Bulgaria	100%
Froneri Finland Oy	PL 35, 02151 ESPOO Finland	T	EUR	Finland	100%
Froneri Development Center Glaces SAS	Zone Industrielle N°2 Rue Charles TELLIER F – 60000 BEAUVAIS	R	EUR	France	100%
Froneri Beauvais SAS (formerly Nestlé Grand Froid SA)	Zone Industrielle No2 Rue Charles TELLIER F – 60000 BEAUVAIS	T	EUR	France	100%
Froneri Dange SAS (formerly Paladine SAS)	La Taille du Moulin à Vent - 86220 DANGE SAINT ROMAIN	T	EUR	France	100%
Pilpa SAS	Kergamet BP 809 - 29208 Plouédern	D	EUR	France	100%
Froneri Holdings France SAS (formerly R&R Holdings France SAS)	Le Labour – B.P. 13, 33870 Vayres	H	EUR	France	100%
Froneri Vayres SAS (formerly R&R Ice Cream France SAS)	Le Labour – B.P. 13, 33870 Vayres	T	EUR	France	100%
Froneri France SAS	Kergamet BP 809 - 29208 Ploudern	T	EUR	France	100%
Confitesse Backwaren Vertrieb GmbH	Wasserweg 39, 64521 Groß-Gerau	T	EUR	Germany	100%
Durigon Gelato GmbH	Eduard-Pestel Str 15, D-49080 Osnabruck	D	EUR	Germany	100%
Erlenbacher Backwaren GmbH	Wasserweg 39, 64521 Groß-Gerau	T	EUR	Germany	100%
Froneri Deutschland Holding GmbH	Nordwestring 201 90419 Nürnberg	H	EUR	Germany	100%
Froneri Erlenbacher Immobilien GmbH & Co oHG	Wasserweg 39, 64521 Groß-Gerau	P	EUR	Germany	100%
Froneri Rus Holding GmbH	Nordwestring 201 90419 Nürnberg	H	EUR	Germany	100%
Froneri Schöller GmbH	Nordwestring 201 90419 Nürnberg	T	EUR	Germany	100%
Froneri Schöller Immobilien GmbH & Co oHG	Nordwestring 201 90419 Nürnberg	P	EUR	Germany	100%
Froneri Schöller Produktions GmbH	Nordwestring 201 90419 Nürnberg	T	EUR	Germany	100%
Janny's Eis Franchise GmbH	Hittfelder Kirchweg 21, D-21220 Seevetal-Maschen	T	EUR	Germany	100%
L'Italiano Ice Cream GmbH	Eduard-Pestel Str 15, D-49080 Osnabruck	D	EUR	Germany	100%
Nord-Eis-die Eisprofis GmbH	Eduard-Pestel Str 15, D-49080 Osnabruck	D	EUR	Germany	100%

Notes *(continued)*

12 Investments in subsidiaries *(continued)*

Subsidiaries	Registered address	Activity	Currency	Country of incorporation	*Ownership interest*
Froneri Ice Cream Deutschland GmbH	Eduard-Pestel Str 15, D-49080 Osnabruck	T	EUR	Germany	100%
Froneri Deutschland Gmbh	Nordwestring 201 90419 Nürnberg	H	EUR	Germany	100%
R&R Holdings Deutschland GmbH	Eduard-Pestel Str 15, D-49080 Osnabruck	H	EUR	Germany	100%
Prima-Eis GmbH	Eduard-Pestel Str 15, D-49080 Osnabruck	D	EUR	Germany	100%
Weidenglück UG (haftungsbeschränkt) & Co KG	Eduard-Pestel Str 15, D-49080 Osnabruck	H	EUR	Germany	100%
Froneri Hellas Ice-Cream SA	3, Kerkyras str., 17778 Tavros, Attika, Greece	T	EUR	Greece	100%
Fredericks Holdings (Guernsey) Limited	PO Box 25, Regency Court, Glategny Esplanade, St Peters Port Guernsey GY1 3AP	D	GBP	Guernsey	100%
Froneri Holding Spa (formerly Eskigel Holding Spa)	Corso G. Garibaldi no. 49, 20121 Milan	H	EUR	Italy	100%
Eskigel Srl	Via Augusto Vanzetti no.11, 05100 Terni	T	EUR	Italy	100%
Froneri Italy Srl	Parma, via F. Bernini 32/A (Assago secondary office)	T	EUR	Italy	100%
R&R Ice Cream Jersey Limited	44 Esplanade, St. Hellier, Jersey JE4 9WG	F	AUD	Jersey	100%
Riviera Midco SA	43-45 Allée Scheffer, L-2520	H	EUR	Luxembourg	100%
Froneri Malta Limited	Pantar Road, Lija, Malta	D	EUR	Malta	100%
Froneri Polska Sp zoo (formerly Zielona Budka (Mielec) Sp Zoo)	Ul. Wojska Polskiego 3, 39-300 Mielec	T	PLN	Poland	100%
Froneri Ice Cream Romania SRL	Bucuresti-Ploiesti 1A, Cladirea B, Parter, Sector 1, Bucuresti, 013681	T	RON	Romania	100%
Froneri Rus LLC	52/1 Kosmodamianskaya naberezhnaya, 4th floor, Po11, office 4, Moscow, 115054, Russia	T	RUB	Russia	100%
Froneri Adriatic doo Stara Pazova	Stara Pazova, Banovački put bb, 22300, Belgrade	T	RSD	Serbia	100%
Froneri Iberia SL (in the period Helados y Postres SA merged with Froneri Iberia SL)	Zona Industrial Araia, C/ Intxerdui, 5, 01250 ARAIA (Álava)	T	EUR	Spain	100%
Froneri Switzerland SA	Blumenfeldstrasse 15, 9403 Goldach, Switzerland	T	CHF	Switzerland	100%
Creamice Limited	Richmond House, Leeming Bar, Northallerton, North Yorkshire, DL7 9UL	D	GBP	United Kingdom	100%

Notes *(continued)*

12 Investments in subsidiaries *(continued)*

Subsidiaries	Registered address	Activity	Currency	Country of incorporation	*Ownership interest*
Fredericks Dairies Limited	Richmond House, Leeming Bar, Northallerton, North Yorkshire, DL7 9UL	D	GBP	United Kingdom	100%
Fredericks Holdings Limited	Richmond House, Leeming Bar, Northallerton, North Yorkshire, DL7 9UL	D	GBP	United Kingdom	100%
Froneri International plc	Richmond House, Leeming Bar, Northallerton, North Yorkshire, DL7 9UL	H	EUR	United Kingdom	100%
Kelly's of Cornwall Limited	Lucknow Road, Walker Lines Estate, Bodmin, Cornwall, Pl31 1EZ	D	GBP	United Kingdom	100%
Kelly's Cornish Dairy Ices Limited	Lucknow Road, Walker Lines Estate, Bodmin, Cornwall, Pl31 1EZ	D	GBP	United Kingdom	100%
New R&R Ice Cream Limited	Richmond House, Leeming Bar, Northallerton, North Yorkshire, DL7 9UL	H	EUR	United Kingdom	100%
Oldfield's Ice Cream Limited	Richmond House, Leeming Bar, Northallerton, North Yorkshire, DL7 9UL	D	GBP	United Kingdom	100%
Froneri South Africa Holdings Limited	Richmond House, Leeming Bar, Northallerton, North Yorkshire, DL7 9UL	H	ZAR	United Kingdom	100%
R&R Ice Cream UK Limited	Richmond House, Leeming Bar, Northallerton, North Yorkshire, DL7 9UL	T	GBP	United Kingdom	100%
R&R PIK plc	Richmond House, Leeming Bar, Northallerton, North Yorkshire, DL7 9UL	H	EUR	United Kingdome	100%
Richmond Foods Limited	Richmond House, Leeming Bar, Northallerton, North Yorkshire, DL7 9UL	H	GBP	United Kingdom	100%
Richmond Foods (EBT1) Limited	Richmond House, Leeming Bar, Northallerton, North Yorkshire, DL7 9UL	D	GBP	United Kingdom	100%
Richmond Ice Cream Limited	Richmond House, Leeming Bar, Northallerton, North Yorkshire, DL7 9UL	D	GBP	United Kingdom	100%
Richmond Operations Limited	Richmond House, Leeming Bar, Northallerton, North Yorkshire, DL7 9UL	D	GBP	United Kingdom	100%
Richmond Shelf Company Limited	Richmond House, Leeming Bar, Northallerton, North Yorkshire, DL7 9UL	D	GBP	United Kingdom	100%
Riviera Acquisitions Limited	Richmond House, Leeming Bar, Northallerton, North Yorkshire, DL7 9UL	H	GBP	United Kingdom	100%

Notes *(continued)*

12 Investments in subsidiaries *(continued)*

Subsidiaries	Registered address	Activity	Currency	Country of incorporation	*Ownership interest*
Riviera Topco Limited	Richmond House, Leeming Bar, Northallerton, North Yorkshire, DL7 9UL	H	EUR	United Kingdom	100%
Ruby Acquisitions Limited	Richmond House, Leeming Bar, Northallerton, North Yorkshire, DL7 9UL	H	EUR	United Kingdom	100%
Treats Frozen Confectionery Limited	Richmond House, Leeming Bar, Northallerton, North Yorkshire, DL7 9UL	D	GBP	United Kingdom	100%
Windsor Creameries Manufacturing Limited	Richmond House, Leeming Bar, Northallerton, North Yorkshire, DL7 9UL	D	GBP	United Kingdom	100%
Yoomoo International Limited	Richmond House, Leeming Bar, Northallerton, North Yorkshire, DL7 9UL	D	GBP	United Kingdom	100%
Africa:					
Froneri Ice Cream Egypt SAE	Summit 250, 90 El Shamaly Street, 5th Settlement, New Cairo	T	EGP	Egypt	100%
Froneri South Africa (Pty) Limited (formerly R&R Ice Cream South Africa (Pty) Limited)	14 Spanner Road, Clayville, Olifantsfontein, Gauteng 1665	T	ZAR	South Africa	100%
Rest of the world:					
Australasian Food Group Pty Ltd	254-294 Wellington Road, Mulgrave, Victoria 3170	T	AUD	Australia	100%
Mulgrave LeaseCo Pty Ltd	254-294 Wellington Road, Mulgrave, Victoria 3170	D	AUD	Australia	100%
New Holdco Pty Ltd	254-294 Wellington Road, Mulgrave, Victoria 3170	H	AUD	Australia	100%
Food MezzCo Pty Limited	254-294 Wellington Road, Mulgrave, Victoria 3170	H	AUD	Australia	100%
Peters Food Group Pty Limited	254-294 Wellington Road, Mulgrave, Victoria 3170	H	AUD	Australia	100%
Riviera (Aus) Pty Ltd	254-294 Wellington Road, Mulgrave, Victoria 3170	H	AUD	Australia	100%
Riviera Holdings (Aus) Pty Ltd	254-294 Wellington Road, Mulgrave, Victoria 3170	H	AUD	Australia	100%
Froneri Philippines Inc	National Highway, Barangay Tibag, Pulilan, Bulacan, Philippines	T	PHP	Philippines	99.998%
Froneri Argentina SA	Av. Leandro N. Alem 356, Piso 13º - Buenos Aires, Argentina	T	ARS	Argentina	100%
Froneri Brasil Distribuidora de Sorvetes e Congelados Ltda (in the period Froneri Brasil Industrial de Sorvetes e Congelados Ltda merged with Froneri Brasil Distribuidora de Sorvetes e Congelados Ltda)	364, Módulo 105 – Sala 2, Belford Roxo, CEP 26130-130, Belford Roxo-RJ, Brazil	T	BRL	Brazil	100%

Notes *(continued)*

12 Investments in subsidiaries *(continued)*

Group composition

H – denotes an intermediate holding company
D – denotes a dormant company
P – denotes a property investment company
R – denotes a research and development company
T – denotes a company with the principal activity of the production, distribution and/or sale of ice cream and/or frozen confectionary and desserts.
F – denotes a financing company

Activities in the Philippines also include the manufacture and sale of chilled dairy products.

Weidengluck UG (haftungsbeschränkt) & co KG is a limited partnership.

Ownership interest in the above entities are all ordinary shares. Froneri Limited has 100% of the voting rights in all entities presented.

Certain local managers hold 0.002% of the ordinary share capital in Froneri Philippines Inc.

All controlled entities in the table above have been included in the group consolidation.

13 Other financial assets

	2017	2016
	€m	€m
Non-current		
Customer advances	35.62	36.23
	35.62	**36.23**
Current		
Customer advances	9.06	10.62
Derivative financial instruments	0.87	1.05
	9.93	**11.67**

The group recognises financial assets related to customer advances. The agreements vary but mainly relate to cash advances in respect of customer contracts in the group's German and Brazilian out of home businesses and to the value of stock advanced to certain distribution customers in the Italian out of home business. The value of cash or stock advanced is recognised initially at fair value. Subsequent to initial measurement, the assets are carried at amortised cost and stated net of provisions for customers deemed at risk of recovery. Amounts are amortised to the profit and loss account within net sales over the respective contract period and based on the terms of the contract.

Notes *(continued)*

14 Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets 2017 €m	Assets (Restated (a)) 2016 €m	Liabilities 2017 €m	Liabilities (Restated (a)) 2016 €m	Net (assets) / liabilities 2017 €m	Net (assets) / liabilities (Restated (a)) 2016 €m
Property, plant and equipment	**(22.92)**	(1.97)	**68.42**	49.19	**45.50**	47.22
Other intangible assets	**-**	-	**155.62**	176.00	**155.62**	176.00
Inventories	**(1.42)**	(1.14)	**0.19**	-	**(1.23)**	(1.14)
Leased assets	**(1.37)**	(1.12)	**-**	-	**(1.37)**	(1.12)
Employee benefits	**(12.67)**	(20.51)	**0.01**	-	**(12.66)**	(20.51)
Provisions	**(16.07)**	(17.17)	**0.02**	1.09	**(16.05)**	(16.08)
Tax value of loss carry-forwards	**(23.12)**	(11.04)	**-**	-	**(23.12)**	(11.04)
Other items	**(13.52)**	(7.74)	**13.95**	16.48	**0.43**	8.74
Net tax (assets) / liabilities	**(91.09)**	(60.69)	**238.21**	242.76	**147.12**	182.07

Note (a) - for details of restatement see note 31.

Movement in net deferred tax assets and liabilities during the year:

	31 December 2016 (Restated (a)) €m	Acquired in business combinations €m	Recognised in income €m	Recognised in equity €m	Foreign exchange movement €m	31 December 2017 €m
Property, plant and equipment	47.22	-	(1.58)	-	(0.14)	**45.50**
Other intangible assets	176.00	-	(15.59)	-	(4.79)	**155.62**
Inventories	(1.14)	-	(0.02)	-	(0.07)	**(1.23)**
Leased assets	(1.12)	-	(0.32)	-	0.07	**(1.37)**
Employee benefits	(20.51)	-	3.49	4.41	(0.05)	**(12.66)**
Provisions	(16.08)	-	(0.53)	-	0.56	**(16.05)**
Tax value of losses carried forward	(11.04)	-	(12.79)	-	0.71	**(23.12)**
Other items	8.74	-	(8.09)	-	(0.22)	**0.43**
Deferred tax liabilities/(assets)	**182.07**	**-**	**(35.43)**	**4.41**	**(3.93)**	**147.12**

Net deferred tax liabilities of €32.30 million (2016: €31.02 million) are expected to be settled within 12 months.

Analysis of unrecognised deferred tax assets

	2017 €m	2016 €m
Trading losses	48.16	0.66
Interest losses	-	0.02
Other items	10.54	-
	58.70	0.68

Notes *(continued)*

15 Inventories

	2017 €m	2016 €m
Raw materials and consumables	58.21	59.24
Work in progress	2.38	3.10
Finished goods	180.64	174.54
	241.23	**236.88**

There are no inventories expected to be recovered in more than 12 months.

Raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales in the period amounted to €1,285.60 million (2016: €175.20 million). The accumulated write-down of inventories to net realisable value amounted to €24.31 million (2016: €20.92 million) as at the year end.

16 Trade and other receivables

	2017 €m	2016 (Restated (a)) €m
Trade receivables due from third parties	284.24	315.08
Trade receivables due from related parties	6.11	7.18
Prepayments and other receivables	77.90	53.65
	368.25	**375.91**

Note (a) - for details of restatement see note 31.

There are no balances included within trade and other receivables that are expected to be recovered in more than 12 months.

Included within trade and other receivables are provisions for doubtful debts of €21.05 million (2016: €18.78 million).

17 Cash and cash equivalents

	2017 €m	2016 €m
Cash and cash equivalents per consolidated statement of financial position	228.72	436.69
Bank overdrafts	(86.38)	(52.04)
Cash and cash equivalents per cash flow statement	**142.34**	**384.65**

The cash and cash equivalents disclosed above includes €24.88 million (2016: €33.25 million) of deposits that are subject to regulatory restrictions and are therefore not available for general use by the other entities within the group.

The restricted deposits are held by the group's businesses in South Africa, Serbia, Brazil, Greece, Egypt and the Philippines.

Notes *(continued)*

18 Assets classified as held for sale

Assets held for sale

The group's assets held for sale primarily comprises surplus properties which are being marketed for sale. The group measures the fair value of these assets by reference to third party valuation reports. Change to the underlying fair value measurement in the period are shown in the table below.

	2017 €m	(Restated (a)) 2016 €m
Assets classified as held for sale:		
Property, plant and equipment	3.16	3.35

The reconciliation of assets classified as held for sale for from the start to the end of the year/period is as follows.

	2017 €m	(Restated (a)) 2016 €m
At 1 January 2017 (2016: At incorporation)	3.35	-
Acquired in business combinations	-	4.38
Disposed	(0.21)	(0.89)
Adjustment to carrying value	0.02	(0.14)
At 31 December	3.16	3.35

Note (a) - for details of restatement see note 31.

19 Financial liabilities

This note provides information about the contractual terms of the group's financial liabilities, which are measured at amortised cost. For more information about the group's exposure to interest rate and foreign currency risk, see note 24.

	2017 €m	2016 €m
Non-current liabilities		
Term bank loans	794.10	801.34
Less: unamortised transaction costs	(9.93)	(11.65)
	784.17	789.69
Nestlé shareholder loans	813.03	826.39
Shareholder loan notes	979.77	946.01
Preference share capital	43.75	37.75
Finance lease liabilities	14.77	14.78
Other financial liabilities	1.89	1.55
	2,637.38	2,616.17

Notes *(continued)*

19 Financial liabilities *(continued)*

	2017 €m	(Restated (a)) 2016 €m
Current liabilities		
Bank overdrafts	86.38	52.04
Factored borrowings	2.18	11.89
Accrued interest on term bank loans	0.07	1.51
Accrued interest on Nestlé shareholder loans	10.10	9.29
Current portion of finance lease liabilities	0.65	0.57
Deferred consideration	-	114.10
	99.38	**189.40**
Total financial liabilities	**2,736.76**	**2,805.57**
Add back: unamortised transaction costs	9.93	11.65
	2,746.69	**2,817.22**

Note (a) - for details of restatement see note 31.

Term bank loans are presented net of transaction costs of €9.93 million (2016 €11.65 million).

On 31 January 2018 the group completed the refinance of €794.10 million of term bank loans and €792.46 million of Nestlé shareholder loans. At the same time the group refinanced the €220 million revolving credit facility which was undrawn at 31 December 2017.

The refinancing has enabled the group to reduce the costs of its debt substantially. The group now has a €1,200.00 million € dominated Term loan, €150.00 million A$ denominated Term loan (A$221.265 million) and €245.60 million GBP denominated Term loan (£215.00 million) together with a €220 million revolving credit facility. The loans have a maturity of 7 years from the date of refinancing, which has extended the maturity of the group's term debt to 2025).

As a result, in the year ending 31 December 2018 the group will write off the unamortised transaction costs of €9.93 million and incurred transaction costs on the refinancing of €5.15 million which will be amortised over the term of the loan.

In 2017 the group repaid €75.00 million of shareholder loan notes in equal shares to both Nestlé and PAI from cash held on the balance sheet.

Terms and debt repayment schedule:

	Currency	Nominal interest rate	Maturity	Fair value 2017 €m	Carrying amount 2017 €m
Term bank loans (a)	EUR, AUD	3.00% (EUR), 3.75% (AUD)	2023	794.10	794.10
Nestlé shareholder loan	EUR, GBP	4.50%	-	792.46	792.46
Nestlé shareholder loan	BRL	12.00%	-	20.57	20.57
Shareholder loan notes	EUR	12.00%	2026	979.77	979.77
Preference shares	EUR	12.00%	2026	43.75	43.75
Finance lease liabilities	Various	Various	Various	15.42	15.42
				2,646.07	**2,646.07**

Notes *(continued)*

19 Financial liabilities *(continued)*

	Currency	Nominal interest rate	Maturity	Fair value 2016 €m	Carrying amount 2016 €m
Term bank loans (a)	EUR, AUD	3.00% (EUR), 3.75% (AUD)	2023	801.34	801.34
Nestlé shareholder loan	EUR, GBP	4.50%	-	802.55	802.55
Nestlé shareholder loan	BRL	12.00%	-	23.84	23.84
Shareholder loan notes	EUR	12.00%	2026	946.01	946.01
Preference shares	EUR	12.00%	-	37.75	37.75
Finance lease liabilities	Various	Various	Various	15.35	15.35
				2,626.84	**2,626.84**

(a) Excluding unamortised transaction costs

The balances above have been recalculated from their local currencies at the applicable exchange rates at the balance sheet date. Accrued interest balances have been excluded in the case of the term loans and Nestlé shareholder loans. In the case of the shareholder loan notes and the preference shares, accrued returns are included because these returns are accrued, rather than paid in cash, and compound into the principal at each anniversary.

The Nestlé shareholder loans denominated in GBP and EUR have no fixed maturity date. The € loan was refinanced on 31 January 2018. The Nestlé shareholder loan denominated in BRL has a maturity date of the earlier of November 2023 and various triggering events.

Summary of external net debt

The group's financial liabilities includes amounts due to its shareholders, Nestlé SA and PAI Partners, in respect of shareholder loans of various forms, and also preference shares.

To better illustrate the group's external, third party net borrowings, the table below summarises the group's net external financial liabilities:

	2017 €m	(Restated (a)) 2016 €m
Non-current financial liabilities		
Term bank loans (net of transaction costs)	784.17	789.69
Finance lease liabilities	14.77	14.78
Other financial liabilities	1.89	1.55
	800.83	**806.02**
Current liabilities		
Bank overdrafts	86.38	52.04
Factored borrowings	2.18	11.89
Accrued interest on term bank loans	0.07	1.51
Current portion of finance lease liabilities	0.65	0.57
Deferred consideration	-	114.10
	89.28	**180.11**
Cash and cash equivalents	**228.72**	**436.69**
Net borrowings from third parties	**661.39**	**549.44**

Note (a) - for details of restatement see note 31.

Notes *(continued)*

19 Financial liabilities *(continued)*

Finance lease liabilities

The group has finance lease liabilities, largely in relation to plant and equipment and in respect of the main Australian property. Future minimum payments due under finance leases are as follows:

	2017 €m	2016 €m
Less than one year	1.88	1.87
Between one and five years	7.08	6.39
More than five years	20.75	23.39
Less finance charges allocated to future periods	(14.29)	(16.30)
	15.42	**15.35**

The group has minimum lease payments under finance leases as follows:

	2017 €m	2016 €m
Less than one year	0.65	0.57
Between one and five years	2.32	1.32
More than five years	12.45	13.46
	15.42	**15.35**

20 Trade and other payables

	2017 €m	(Restated(a)) 2016 €m
Current		
Trade payables due to related parties	57.34	99.31
Trade payables due to third parties	228.11	286.14
Other trade payables, accrued expenses and deferred income	270.86	207.35
	556.31	**592.80**

Note (a) - for details of restatement see note 31.

All trade and other payables are current and expected to be settled in no more than 12 months.

Notes *(continued)*

21 Employee benefits

Employee remuneration

The group's salaries and wages costs of €400.14 million (2016: €110.78 million) and welfare expenses (comprising social security and pensions costs) of €103.10 million (2016: €30.95 million) represent a total of €503.24 million (2016: €141.73 million). Employee remuneration is allocated by function to the appropriate expense headings.

The group has an equity settled share based payment scheme in which certain employees are eligible to subscribe for D shares. Employees must be employed by the group at a defined exit date to realise a return of value on the shares granted. The return is based on an equity value hurdle and a ratchet mechanism.

In the year ended 31 December 2017 certain employees of the group subscribed for 20,028 D ordinary shares in the capital of the company at a value of €10.00 per share. The fair value of the shares subscribed to was calculated using the Monte Carlo model.

The resultant fair value of €1.14 million is being charged to the income statement over an average term of 3.47 years, representing the groups best estimate of the timing of the most likely exercisable event. A charge of €0.15 million has been included in administrative expenses in the year.

Pension and post- employment medical and other benefit plans

The group's net employee benefit liabilities as at 31 December 2017 amounted to €60.01 million (2016: €90.82 million), including €55.92 million (2016: €86.46 million) in respect of defined benefit pension plans. No net employee benefit assets were recognised in the financial statements as at 31 December 2017 and 31 December 2016.

The group has defined benefit plans in 14 of its territories and the schemes are different across the territories. The plans are either externally funded (in the form of independently administered funds) or unfunded. Actuarial advice is provided by external consultants and by actuaries employed by the group in respect to these plans. The actuarial assumptions used to calculate the defined benefit obligations vary according to the economic conditions of the country in which the plan is located and as a result the detail has been presented in aggregation and on a weighted average basis where appropriate.

As at 31 December 2017 the group's plans in respect of Switzerland represent 45% (2016: 59%) of the total net employee liabilities recognised. The pension plan obligations in that territory are met via a contract with a collective foundation that offers a fully insured solution to provide a contribution-based cash balance retirement plan. Contributions are age related and expressed as a percentage of pensionable salary.

Pension costs charged to the income statement consists of service cost (current and past service cost, gains and losses arising from curtailment and settlement), administration costs (other than costs of managing plan assets), and net interest expense or income, which is presented as part of net financial income/(expense). The actual return less interest income on plan assets, changes in actuarial assumptions, and differences between actuarial assumptions and what has actually occurred are reported in other comprehensive income.

Notes (continued)

21 Employee benefits *(continued)*

Risks related to defined benefit plans

The main risks to which the group is exposed in relation to operating defined benefit plans:

- Investment risk: this is the risk that the pension plan investments do not meet the expected returns over the medium to long-term. The structure of the portfolios is reviewed and asset-liability matching analyses are performed on a regular basis. In Switzerland there is a guaranteed return on account balances of at least 0% per annum on the total account balance as well as the rate set by government (1.00% in 2017 and 2018) on the mandatory benefits. In order to minimise the risks, the group has entered into a contract with an insurance provider which, in return for a premium, guarantees the benefits promised in the plan over the period of the contract. The group retains overall responsibility for deciding on such fundamental aspects as the level and structure of plan benefits at each contract renewal and remains responsible for providing benefits to members if the insurance contract is cancelled or the insurer is unable to meet its obligations.
- Mortality risk: the assumptions adopted by the Group make allowance for future improvements in life expectancy. However, if life expectancy improves at a faster rate than assumed, this would result in greater payments from the plans and consequently increases in the plans' liabilities. In Switzerland the pension plan offers a lifelong pension in lieu of the cash balance lump sum upon retirement. The plan has defined rates for converting the lump sum to a pension and there is a risk that the members live longer than implied by their conversion rates. In order to minimise this risk, mortality assumptions are reviewed on a regular basis.

Asset-liability management and funding arrangement

In the case of the funded plans, plan trustees are responsible for determining the mix of asset classes and target allocations of the group plans with the support of investment advisors and external consultants. The overall investment policy and strategy for the group's funded defined benefit plans is guided by the objective of achieving an investment return which, together with the contributions paid, is sufficient to maintain reasonable control over the various funding risks of the plans.

In Switzerland the group has entered into a contract with an insurance provider which, in return for a premium, guarantees the benefits promised in the plan over the period of the contract.

Unfunded obligations

The group has unfunded defined benefit pension plans in 10 of its territories. The total unfunded obligations at 31 December 2017 amounted to €22.51 million (2016: €25.12 million). These obligations are mainly in respect of defined benefit pension plan arrangements in France and Italy, representing 66.5% of the total unfunded obligations (2016: 68.8%).

Pension expense in the profit and loss account

	2017 €m	2016 €m
Defined benefit expenses	11.31	4.62
Defined contribution expense	12.25	2.23
	23.56	**6.85**

Notes *(continued)*

21 Employee benefits *(continued)*

Analysis of assets and liabilities recognised in the consolidated statement of financial position

	2017 €m	2016 €m
Present value of funded obligations	161.30	182.88
Fair value of plan assets	(124.00)	(117.27)
Excess of liabilities over funded obligations	**37.30**	**65.61**
Other		
Unfunded obligations	22.51	25.12
Unrecognised assets and minimum funding requirements	0.20	0.09
Total defined benefit liability	**60.01**	**90.82**

	Post-employment medical and other benefits €m	Defined benefit retirement plans €m	Total €m
Balance at incorporation, 20 April 2016	-	-	-
Acquisitions from business combinations			
-of which funded defined benefit plans	0.82	195.07	**195.89**
-of which unfunded defined benefit plans	3.65	21.82	**25.47**
Currency retranslations	(0.07)	2.56	**2.49**
Service cost	0.06	4.56	**4.62**
Interest cost	0.12	0.26	**0.38**
Actuarial gains	(0.21)	(18.08)	**(18.29)**
Benefits paid on funded defined benefit plans	-	(0.16)	**(0.16)**
Benefits paid on unfunded defined benefit plans	(0.01)	(0.25)	**(0.26)**
Other movement	-	(2.14)	**(2.14)**
Balance at 31 December 2016	4.36	203.64	**208.00**
- of which funded defined benefit plans	0.92	181.96	**182.88**
- of which unfunded defined benefit plans	3.44	21.68	**25.12**
Balance at 1 January 2017	4.36	203.64	**208.00**
- of which funded defined benefit plans	0.92	181.96	**182.88**
- of which unfunded defined benefit plans	3.44	21.68	**25.12**
Currency retranslations	(0.49)	(11.77)	**(12.26)**
Service cost	0.04	11.27	**11.31**
Interest cost	0.10	2.87	**2.97**
Actuarial gains	(0.25)	(13.68)	**(13.93)**
Benefits paid on funded defined benefit plans	-	(5.57)	**(5.57)**
Benefits paid on unfunded defined benefit plans	-	(6.71)	**(6.71)**
Other movement	0.33	(0.33)	**-**
Balance at 31 December 2017	4.09	179.72	**183.81**
- of which funded defined benefit plans	0.76	160.54	**161.30**
- of which unfunded defined benefit plans	3.33	19.18	**22.51**

Notes *(continued)*

21 Employee benefits *(continued)*

Movement in fair value of defined benefit plan assets

	Defined benefit retirement plans €m
Balance at incorporation, 20 April 2016	-
Acquisitions from business combinations	114.01
Currency retranslations	1.49
Interest income	0.54
Actual return on plan assets excluding interest income	(0.84)
Employee contributions	0.90
Employer contributions	1.79
Benefits paid on funded defined benefit plans	(0.16)
Other	(0.46)
Balance at 31 December 2016	**117.27**
Balance at 1 January 2017	117.27
Currency retranslations	(8.37)
Interest income	1.53
Actual return on plan assets excluding interest income	8.18
Employee contributions	4.61
Employer contributions	6.83
Benefits paid on funded defined benefit plans	(6.07)
Other	0.02
Balance at 31 December 2017	**124.00**

Plan assets

The major categories of plan assets as a percentage of total plan assets of the group's defined benefit schemes were as follows:

	2017 %	2016 %
Cash and cash equivalents	**2.2**	2.0
Equity instruments	**27.0**	26.0
Debt instruments of which government bonds	**33.9**	38.8
Real estate	**18.2**	15.8
Hedge funds	**7.9**	8.4
Private equity	**1.8**	1.8
Alternative investments	**9.0**	6.6
Commodities	**0.0**	0.6
	100.0	100.0

Equity, government debts and commodities represent 60.9% (2016: 65.4%) of the plan assets. Almost all of them are quoted in an active market. Corporate debts, real estate, hedge funds and private equity investments represent 36.9% (2016: 32.6%) of the plan assets. Almost all of them are either not quoted or quoted in a market which is not active.

The group expects to contribute €8.11 million to its funded defined benefit plan in 2018.

Notes *(continued)*

21 Employee benefits *(continued)*

Actuarial assumptions

The following are the principal actuarial assumptions at the reporting date (expressed as weighted averages of the present value of liabilities of the pensions funds of the group as at 31 December 2016 and 2017):

	2017	2016
Discount rate at 31 December	1.3%	1.4%
Future salary increases	1.6%	1.8%
Future price inflation increases	0.9%	0.7%

In respect to the group's pension plan in Switzerland, the principal actuarial assumptions at 31 December 2017 were: discount rate of 0.75% (2016: 0.75%); future salary increases of 1.5% (2016: 1.5%); and future price inflation of 0.75% (2016: 0.0%).

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard actuarial mortality tables (for example PERM/F2000P for Spain and BVG2015 Generational for Switzerland) and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65-year old to live for a number of years as follows – a current pensioner aged 65: 17 years (2016: 17 years) (male), 21 years (2016: 21 years) (female).

Sensitivity analysis

The calculation of the defined benefit obligation is sensitive to the assumptions set out above. The following table summarises how the impact on the defined benefit obligation at the end of the reporting period would have (increased) decreased as a result of a change in the respective assumptions by 50 basis points (0.5%).

	2017 €m	2016 €m
Discount rate minus 50 basis points	(9.8)	(20.5)
Discount rate plus 50 basis points	8.5	17.2
Future salary increases minus 50 basis points	2.6	3.0
Future salary increases plus 50 basis points	(2.8)	(3.6)
Mortality rate less one year	1.7	1.0
Mortality rate plus one year	(1.7)	(0.6)

In valuing the defined benefit liabilities of the pension funds at €183.81 million (2016: €208.00 million) mortality assumptions have been made as set out above. If life expectancy had been changed to assume that all members of the fund lived for one year longer, the value of the reported liabilities at 31 December 2017 would have increased by €1.7 million (2016: €0.6 million) before deferred tax.

The above sensitivities are based on the average duration of the benefit obligation determined at the date of the last full actuarial valuation for each plan at 31 December 2017 and 30 September 2016 and are applied to adjust the defined benefit obligation at the end of the reporting period for the assumptions concerned. Whilst the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation to the sensitivity of the assumptions shown.

Funding

The weighted average duration of the defined benefit obligation at the end of the reporting period is 19 years (2016: 19 years).

Defined contribution plans

The group operates a number of defined contribution pension plans.

The total expense relating to these plans in the current year was €12.25 million (2016: €2.23 million).

Notes *(continued)*

22 Provisions

	Integration and restructuring provisions €m	Employee benefits provisions €m	Litigation provisions €m	Total €m
Balance at incorporation, 20 April 2016	-	-	-	-
Amounts arising from acquisitions (restated (a))	18.49	5.64	1.40	**25.53**
Provisions made during the period	1.84	0.74	2.13	**4.71**
Provisions used during the period	(2.28)	(0.80)	(0.39)	**(3.47)**
Foreign currency adjustment	-	0.02	-	**0.02**
Balance at 31 December 2016 (restated (a))	**18.05**	**5.60**	**3.14**	**26.79**
Balance at 1 January 2017	18.05	5.60	3.14	**26.79**
Provisions made during the year	118.18	0.66	7.86	**126.70**
Provisions used during the year	(88.67)	(0.58)	(1.12)	**(90.37)**
Foreign currency adjustment	(0.17)	(0.21)	(0.51)	**(0.89)**
Balance at 31 December 2017	**47.39**	**5.47**	**9.37**	**62.23**
Non-current	3.93	1.59	7.19	**12.71**
Current	43.46	3.88	2.18	**49.52**
Balance at 31 December 2017	**47.39**	**5.47**	**9.37**	**62.23**
Non-current	5.32	0.85	0.24	**6.41**
Current (restated (a))	12.73	4.75	2.90	**20.38**
Balance at 31 December 2016 (restated (a))	**18.05**	**5.60**	**3.14**	**26.79**

Note (a) - for details of restatement see note 31.

Integration and restructuring costs

Provisions relating to restructuring and redundancies arise from the consolidation of operations, the implementation of operational improvements, realignment of the business model, manufacturing footprint and structural costs, and similar restructuring activities. These provisions have uncertain timing and value, as the provisions are based on the group's medium-term plans to restructure and re-model the group's businesses, operations and systems; and arise from the plans to obtain synergies envisaged by the merger.

Employee benefits provisions

Provisions for employee benefits relate to various in-work employment benefits.

Notes *(continued)*

22 Provisions *(continued)*

Employee benefits provisions (continued)

In Australia, the group holds provisions in respect of employee long service leave, whereby employees are entitled to 13 weeks of holiday after 15 years of service, and employees are entitled to a *pro rata* payment if they leave employment after seven years.

In Italy, the group holds provisions in respect of all employees' salaries in a provision called *"Trattamento di Fine Rapporto"* (TFR). Until December 2006, the group's Italian business was required to withhold a percentage of all employees' salaries in a provision. It is paid to employees when their period of employment ceases. Since January 2007, following a change of law, a portion of salary is still retained but is now paid to the Italian tax authority on a monthly basis. The TFR provision represents the residual obligation for the benefit accruing to employees until 31 December 2006.

Litigation provisions

Provisions for litigation costs relate to non-recurring legal cases and fees which are significant and unusual on the grounds of their magnitude or incidence. These circumstances behind these provisions are inherently uncertain as to potential risks, timing of financial impact and amount.

The impact of discounting on provisions is not material.

23 Capital and reserves

Share capital

	Called up share capital €m	Share premium account €m	Total €m
Shares issued for cash:			
- 583,638 A Shares of €0.01 each, issued for €506.08 each	0.005	295.36	**295.37**
- 583,638 B Shares of €0.01 each, issued for €506.08 each	0.005	295.36	**295.37**
- 52,831 C Shares of €0.01 each, issued for €506.08 each	0.00	26.74	**26.74**
- 68,371 D Shares of €0.01 each, issued for €10.00 each	0.001	0.69	**0.69**
- 11,126 deferred shares of €0.01 each, issued for €0.01 each	0.00	0.00	**0.00**
On issue at 31 December 2017, full paid	**0.01**	**618.15**	**618.16**

The table above does not cast due to rounding.

	Called up share capital €m	Share premium account €m	Total €m
Shares issued for cash:			
- 583,638 A Shares of €0.01 each, issued for €506.08 each	0.005	295.36	**295.37**
- 583,638 B Shares of €0.01 each, issued for €506.08 each	0.005	295.36	**295.37**
- 50,788 C Shares of €0.01 each, issued for €506.08 each	0.00	25.70	**25.70**
- 48,703 D Shares of €0.01 each, issued for €10.00 each	0.00	0.49	**0.49**
- 232 deferred shares of €0.01 each, issued for €0.01 each	0.00	0.00	**0.00**
On issue at 31 December 2016, full paid	**0.01**	**616.92**	**616.93**

The table above does not cast due to rounding.

Notes *(continued)*

23 Capital and reserves *(continued)*

	2017 €m	2016 €m
Allotted, called up and fully paid shares:		
- Share capital and premium, of various classes, of €0.01 each	618.16	616.93
- Cumulative redeemable preference shares of €0.01, issued for €1.00 each	38.11	36.64
	656.27	653.57
Share capital and premium classified as liabilities (being preference shares)	38.11	36.64
Share capital and premium classified in shareholders' funds	618.16	616.93
	656.27	653.57

During the year 1.47 million preference shares were issued each at €1.00 each.

Ordinary shares

The Company has the following classes of ordinary shares: A Shares, B Shares, C Shares, D Shares and Deferred Shares. The rights attached to each of these classes of shares is as follows.

Voting rights

The A and B ordinary shares are entitled to voting rights, with one vote per share. The C and D ordinary shares do not have any voting rights. The Deferred Shares are not entitled to any voting rights.

Income rights

Any sums which the Company may lawfully distribute to the holders of the A, B, C and D ordinary shares shall be distributed in accordance with the provisions relating to capital rights which are set out below.

The holders of Deferred Shares are not entitled to receive dividends or distributions.

Capital rights

On a return of capital, on a winding-up or otherwise, the assets of the Company available for distribution shall be applied, in priority to any payment to the other shareholders, in paying to the holders of the Preference Shares an amount reflecting the amount subscribed (including share premium) plus a return of 12% per annum compounding annually on each anniversary of the merger completion date.

The remaining assets available for distribution after payment to the holders of the Preference Shares shall be distributed as follows:

- First, to the holders and the A Shares, B Shares and C Shares until they have received such sum, which, when added to all of the amounts previously paid by the Company, is equal to the amount subscribed therefore plus such amount as is necessary to give the shareholders an amount equal to 12% per annum, compounding annually on each anniversary of the merger completion date;
  - Thereafter, if the applicable ratchet (defined in the Company's articles of association) results in the value attributable to the A, B and C ordinary shares (on the one hand) and the D Shares (on the other) being reallocated in accordance with the tables and provisions of the ratchet article, in accordance with the terms of the ratchet article; or
  - If the application of the ratchet article does not result in any change to the value attributable to the A, B and C ordinary shares (on the one hand) and the D shares (on the other), among the holders of the A, B, C and D ordinary shares *pro rata* to the number of A, B, C and D ordinary shares (treating them together, for these purposes, as a single class) held by each such holder.

Notes *(continued)*

23 Capital and reserves *(continued)*

Capital rights (continued)

- The ratchet conditions are dependent on the cash-on-cash return for the shareholders, the date of the exit event by comparison to the anniversary of the subscription date; and
- The percentage entitlement of the holders of the D Shares shall be contingent on (and determined by) the aggregate entitlement of the holders of the A, B, C, with any *pro rata* reductions to these shareholders returns being applied to the returns for the holders of D Shares.

In respect of the Deferred Shares, on a return of capital, whether on a winding-up or otherwise, the Deferred Shares shall entitle the holder thereof only to the repayment of the amounts paid up on such Deferred Shares (including any premium) after repayment of the capital paid up on the Ordinary Shares plus the payment of a given sum in aggregate on all of the Ordinary Shares and the holders of the Deferred Shares (as such) shall not be entitled to any further participation in the assets or profits of the Company.

Preference shares

The preference shares are redeemable at any time at the option of the company, though subject to the Companies Act 2006, investor consent and the terms of the group's financing obligations. There is no premium on redemption. The holders of preference shares are entitled to receive cumulative dividends on redemption and are not entitled to vote at meetings of the Company. The economic features of the shares are the same as the shareholder loan notes. These shares are presented as debt within financial liabilities (note 19).

Issue of shares

In the year ended 31 December 2017, ordinary and preference shares were issued as set out below.

	Total €m
2,043 C Shares of €0.01 each, issued for €506.08 each	1.03
20,028 D Shares of €0.01 each, issued for €10.00 each	0.20
10,894 Deferred shares of €0.01 each, issued for €0.01 each	0.00
1,472,217 Preference shares, issued for €1.00 each	1.47
	2.70

Other comprehensive income/(expense) for the period

	Currency translation reserve Year ended 31 December 2017 €m	**Accumulated losses Year ended 31 December 2017 €m**	**Total other comprehensive expense Year ended 31 December 2017 €m**
Other comprehensive (expense)/income			
Foreign exchange translation differences – foreign operations	(78.66)	-	**(78.66)**
Net loss on hedge of net investment in foreign operations	16.73	-	**16.73**
Re-measurements of defined benefit liability/asset	-	22.12	**22.12**
Income tax on other comprehensive income	-	(4.41)	**(4.41)**
Total other comprehensive (expense)/income	**(61.93)**	**17.71**	**(44.22)**

Notes *(continued)*

23 Capital and reserves *(continued)*

Other comprehensive income/(expense) for the period (continued)

	Currency translation reserve 3 month period ended 31 December 2016 €m	Accumulated losses 3 month period ended 31 December 2016 €m	Total other comprehensive expense 3 month period ended 31 December 2016 €m
Other comprehensive (expense)/income			
Foreign exchange translation differences – foreign operations (restated (a))	(19.90)	-	**(19.90)**
Net loss on hedge of net investment in foreign operations	(3.88)	-	**(3.88)**
Re-measurements of defined benefit liability/asset	-	17.45	**17.45**
Income tax on other comprehensive income	-	(2.43)	**(2.43)**
Total other comprehensive (expense)/income (restated (a))	**(23.78)**	**15.02**	**(8.76)**

Note (a) - for details of restatement see note 31.

Currency translation reserve

The translation reserve comprises all foreign exchange differences arising since incorporation, arising from the translation of the financial statements of foreign operations, as well as from the translation of liabilities that hedge the Company's net investment in certain foreign subsidiaries.

Dividends

No dividends were declared or recognised during the year.

24 Financial instruments

24 (a) General

The group's financial assets comprise cash at bank, customer advances, and trade receivables. The group's financial liabilities comprise bank and other borrowings, financial lease obligations and trade and other payables. Exposure to credit, interest rate and currency risks arises in the normal course of the group's business. Derivatives are used to manage exposure to fluctuations in exchange rates.

Credit risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all retail customers requiring credit over a certain amount. The group does not require collateral in respect of financial assets.

At the reporting date there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivatives in the consolidated statement of financial position.

Notes *(continued)*

24 Financial instruments *(continued)*

24 (a) General (continued)

Interest rate risk

The majority of the group's debt is fixed coupon which means that there is no significant exposure to interest rates. Short-term borrowings are used to fund the business through its peak working capital requirement. Such loans are borrowed at floating interest rates. The exposure on such borrowings is not considered significant. Short-term receivables and payables are not exposed to interest rate risk.

Cash at bank earns interest at floating rates based on market rates.

Foreign currency risk

The group is exposed to foreign currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of group entities. The currencies giving rise to these risks are primarily Pounds Sterling (GBP), Australian Dollars (A$), Swiss Franc (CHF). There are 13 functional currencies within the group, other than the Euro.

At 31 December 2017 the key risk is the group's borrowings in foreign currency are the A$221.265 million (2016: A$221.265 million) tranche of the group's senior term bank loan facilities and the GBP 215.458 million (2016: GBP 215.458 million) tranche of the group's Nestlé shareholder loan. These notes are held in the statement of financial position of Froneri International plc (in the case of the senior term bank loan facilities) and in the statement of financial position of Froneri Limited (in the case of the Nestlé shareholder loan), both of which have EUR reporting and functional currency.

The group's strategy is that these foreign currency borrowings better match the generation of cash flow in the group. In respect of the GBP denominated tranche it is expected that they will be largely serviced by the cash generation of the group's UK trading business. Likewise, the A$ denominated tranche is expected to be serviced by the cash generation of the group's Australian business.

On 31 January 2018 the group refinanced its term loans and Nestlé shareholder loan (GBP/EUR), and has maintained its A$ and GBP tranches of denominated debt in the same proportions as part of its new term loan (see note 19).

The group also typically uses contracts to mitigate foreign currency exposure on trading, particularly in respect of the UK and Australian businesses. At 31 December 2017 there were 31 such contracts (2016: 25 contracts) outstanding. The Directors believe that the foreign exchange exposure in this regard does not present a material risk. The net fair value of these contracts at 31 December 2017 was an asset of €0.78 million (2016: liability of €0.2 million).

From time to time if the group has significant cash balances held within the group holding companies, it enters into foreign exchange swap contracts to make sure it has resources in the currencies it needs at that time. These are typically of a one-month duration. At 31 December 2017, it had five such swaps outstanding (2016: one) and the fair value of those swaps was a net financial asset of €0.09 million (2016: €1.05 million).

Capital management

One of the group's objectives is to safeguard its ability to continue as a going concern providing returns to shareholders, through the optimisation of the debt and equity balance, and to maintain a strong credit rating and headroom.

The group manages its capital structure and makes appropriate decisions in light of the current economic conditions and strategic objectives of the group.

24 Financial instruments *(continued)*

24 (a) General (continued)

The group's capital comprises equity and long-term debt. The equity comprises fully paid up ordinary shares. The long-term debt predominantly comprises subordinated shareholder loans, the senior term loan facilities, preference shares and finance leases. Intra-year funding requirements are managed through cash, revolving credit facilities and factoring facilities. At 31 December 2017 the group had €206.00 million (2016: €202.80 million) of undrawn revolving credit facilities and €48.60 million (2016: €37.70 million) of factoring facilities available should they be required. There are no significant restrictions on the utilisation of the revolving credit facility. Any factoring facility drawings are restricted by the level of debtors outstanding at that time.

The financing undertaken in September 2016 as part of the merger process allowed the group to match EBITDAE and cash flows to its borrowings and debt service obligations, in particular to provide a natural hedge in respect of potential foreign exchange movements.

The group's policy is to budget sufficient headroom in order to maintain compliance with the covenant set out in the revolving credit facility agreement such that any unforeseen circumstances are unlikely to result in a breach of that covenant. The financial covenant in the revolving credit facility agreement has not been tested in the period.

There has been no change in the objectives, policies or processes in respect of capital management during the period ended 31 December 2017.

24 (b) Fair values of financial instruments

The group has various financial instruments that require use of valuation techniques to determine fair value. The techniques used in the fair value hierarchy can include:

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

The group has no financial instruments that fall into level 1 of the fair value hierarchy.

Given the straightforward nature of the group's financial instruments (assets and liabilities) and the short time period that had elapsed between when the group's financing arrangements were put in place, the group has adopted book values as the closed approximation to fair value in the case of its financial instruments except for the derivative financial instruments.

The derivative financial instruments have been valued according to level 2 of the hierarchy, by reference to published market prices of exchange rates. At 31 December 2017 the group recognized net financial assets related to currency swaps of €0.87m (2016: €1.05 million).

Notes *(continued)*

24 Financial instruments *(continued)*

24 (c) Credit risk

Exposure to credit risk

Credit risk is the risk of financial loss to the group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the group's receivables from customers

The group's exposure to credit risk at 31 December 2017 was in respect to trade and other receivables, arising from its ongoing trading operations. Where appropriate, the group uses credit insurance to mitigate credit risk on its key customers in the retail channel. The group does not hold collateral as security against credit risk. The concentration of credit risk for trade and other receivables at 31 December by geographic region was:

	2017 €m	Restated (a) 2016 €m
Europe	251.87	253.31
Africa	17.66	28.22
Rest of the world	98.72	94.38
	368.25	**375.91**

Note (a) - for details of restatement see note 31.

Credit quality of financial assets and impairment losses

The ageing of trade and other receivables at 31 December was:

	2017 €m	Restated (a) 2016 €m
Not past due	315.41	328.39
Past due 0-30 days	27.94	21.59
Past due 31-60 days	7.54	9.26
Past due 61-120 days	(0.19)	5.71
More than 120 days	17.55	10.96
	368.25	**375.91**

Note (a) - for details of restatement see note 31.

The movement in the allowance for impairment in respect of trade receivables during the year/period was as follows:

	2017 €m	2016 €m
Balance at 1 January / on incorporation, 20 April 2016	18.78	-
Impairment allowance acquired as part of business combinations	-	18.17
Impairment loss recognised	7.05	1.75
Impairment allowance utilised	(4.58)	(1.11)
Foreign exchange movement	(0.20)	(0.03)
Balance at 31 December	**21.05**	**18.78**

Notes *(continued)*

24 Financial instruments *(continued)*

24 (c) Credit risk (continued)

The allowance account for trade receivables is used to record impairment losses unless the group is satisfied that no recovery of the amount owing is possible; at that point the amounts considered irrecoverable are written off against the trade receivables directly.

The group also has other financial assets in respect of customer advances. The agreements vary but mainly relate to cash advances in respect of customer contracts in the group's German and Brazilian out of home businesses and to the value of stock advanced to certain distribution customers in the Italian out of home business. In both cases these customer arrangements are subject to credit checks and annual review of credit risk based on amounts outstanding at the period end. There are total impairment provisions of €4.70 million (2016: €2.75 million) against total balances of €44.60 million (2016: €46.85 million).

24 (d) Liquidity risk

Financial risk management

Liquidity risk is the risk that the group will not be able to meet its financial obligations as they fall due. The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the effect of netting agreements:

2017

	Carrying amount €m	Contractual cash flows* €m	1 year or less €m	1 to <2years €m	2 to <5years €m	5 years and over €m
Term loan B	**784.17**					
Add back: Transaction costs	**9.93**					
	794.10	**794.10**	-	-	-	794.10
Term loan B – interest accrued	**0.07**	**157.65**	27.42	27.42	82.25	20.56
Nestlé Shareholder loans	**813.03**	**813.03**	-	-	-	813.03
Nestlé Shareholder loans – interest accrued	**10.10**	**229.35**	48.23	38.13	114.39	28.60
Shareholder loan notes	**979.77**	**1,904.89**	-	-	-	1,904.89
Preference shares classed as debt	**43.75**	**85.06**	-	-	-	85.06
Finance lease liabilities	**15.42**	**44.00**	3.47	1.59	11.84	27.10
Other financial liabilities	**1.89**	**1.89**	1.89	-	-	-
Bank overdrafts	**86.38**	**86.38**	86.38	-	-	-
Factored borrowings	**2.18**	**2.18**	2.18	-	-	-
Trade payables, other payables and amounts due to related parties	**556.31**	**556.31**	556.31	-	-	-
	3,303.00	**4,674.84**	725.88	67.14	208.48	3,673.34

*Contractual cash flows represent undiscounted amounts

Notes *(continued)*

24 Financial instruments *(continued)*

24 (d) Liquidity risk (continued)

2016

	Carrying amount €m	Contractual cash flows* €m	1 year or less €m	1 to <2years €m	2 to <5years €m	5 years and over €m
Non-derivative financial liabilities						
Term loan B	**789.69**					
Add back: Transaction costs	**11.65**					
	801.34	**801.34**	-	-	-	801.34
Term loan B – interest accrued	**1.51**	**187.26**	27.74	27.74	83.23	48.55
Nestlé Shareholder loans	**826.39**	**826.39**	-	-	-	826.39
Nestlé Shareholder loans – interest accrued	**9.29**	**270.67**	38.67	38.67	116.00	77.33
Shareholder loan notes	**946.01**	**2,027.38**	-	-	-	2,027.38
Preference shares classed as debt	**37.75**	**81.00**	-	-	-	81.00
Finance lease liabilities	**15.35**	**47.95**	3.50	1.63	11.28	31.54
Other financial liabilities	**1.55**	**1.55**	1.55	-	-	-
Deferred consideration (restated (a))	**114.10**	**114.10**	114.10	-	-	-
Bank overdrafts	**52.04**	**52.04**	52.04	-	-	-
Factored borrowings	**11.89**	**11.89**	11.89	-	-	-
Trade payables, other payables and amounts due to related parties (restated (a))	**592.80**	**592.80**	592.80	-	-	-
	3,410.02	**5,014.37**	842.29	68.04	210.51	3,893.53

*Contractual cash flows represent undiscounted amounts

Note (a) – for details of restatement see note 31.

Transaction costs of €12.09 million were incurred on the arrangement of the Term Loan B and have been capitalised. These costs are being amortised through the income statement over the period of the loan. As at 31 December 2017, the unamortised element amounted to €9.93 million (2016: €11.65 million). These costs will be expensed in 2018 as a result of the refinancing on 31 January 2018. Shareholder loans are payable at the latest, in 2026. In the table above these are considered paid at the same time as Term Loan B matures in September 2023.

24 (e) Market risk

Financial risk management

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the group's income or the value of its holdings of financial instruments

The main area in which the group is exposed to potential risks, in this regard, via financial instruments, is foreign exchange contracts. The group's objectives, policies and processes for managing these risks and the methods used to measure the risk are explained elsewhere in this note.

Notes *(continued)*

24 Financial instruments *(continued)*

24 (e) Market risk (continued)

Market risk - foreign currency risk

The group's exposure to foreign currency risk, including via derivative financial instruments, is as follows. This is based on the carrying amount for monetary financial instruments except derivatives when it is based on notional amounts

The group is exposed to foreign currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of group entities. The currencies giving rise to these risks are primarily Pounds Sterling (GBP), Australian Dollars (A$), Swiss Francs (CHF), South African Rand (ZAR), and Brazilian Reals (BRLS).

31 December 2017

	GBP €m	CHF €m	AUS $ €m	BRL €m	ZAR €m	Other €m	Total €m
Cash and cash equivalents	18.10	8.09	33.26	35.35	6.96	21.33	**123.09**
Trade receivables and other receivables	64.03	55.77	56.47	30.23	16.89	25.03	**248.42**
Secured bank loans	(242.47)	-	(144.10)	-	-	-	**(386.57)**
Bank overdrafts	-	-	-	(57.57)	-	-	**(57.57)**
Trade payables and other payables	(33.08)	(20.17)	(61.72)	(32.01)	(10.40)	(85.19)	**(242.57)**
Consolidated statement of financial position exposure	**(193.42)**	**43.69**	**(116.09)**	**(24.00)**	**13.45**	**(38.83)**	**(315.20)**

31 December 2016

	GBP €m	CHF €m	AUS $ €m	BRL €m	ZAR €m	Other €m	Total €m
Cash and cash equivalents	125.66	18.87	29.54	22.14	4.60	8.0	**208.81**
Trade receivables and other receivables	34.88	45.10	47.79	29.63	26.81	33.34	**217.55**
Secured bank loans	(252.55)	-	(151.34)	-	-	-	**(403.89)**
Bank overdrafts	-	-	-	-	-	(3.28)	**(3.28)**
Trade payables and other payables	(38.81)	(54.69)	(54.31)	(29.88)	(12.45)	(59.97)	**(250.11)**
Consolidated statement of financial position exposure	**(130.82)**	**9.28**	**(128.32)**	**21.89**	**18.96**	**(21.91)**	**(230.92)**

Sensitivity analysis

A 10 percent weakening of the following currencies against the Euro at 31 December 2017 would have increased/(decreased) equity and profit or loss by the amounts shown below. This calculation assumes that the change occurred at 31 December 2017 and had been applied to risk exposures existing at that date.

This analysis assumes that all other variables, in particular other exchange rates and interest rates, remain constant.

	Equity 2017 €m	Equity 2016 €m	Profit or loss 2017 €m	Profit or loss 3 month period 2016 €m
GBP	**(1.11)**	1.49	**(3.69)**	1.26
AUS $	**(0.31)**	0.10	**(2.31)**	(0.83)
CHF	**(3.29)**	(0.75)	**(1.02)**	0.92
EGYP £	**(3.33)**	20.78	**1.51**	1.17
Other	**(8.96)**	10.56	**7.67**	1.43

24 Financial instruments *(continued)*

24 (e) Market risk (continued)

Market risk - foreign currency risk (continued)

A 10 percent strengthening of the above currencies against the Euro at 31 December 2017 would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

Market risk – Interest rate risk

At 31 December 2017 the interest rate profile of the group's financial liabilities was that over 90% of the group's debt servicing commitments are fixed in nature. The repayment schedule of the group's financial liabilities is similarly fixed, with no debt amortisation scheduled before the termination date of each of the group's main loans and borrowing facilities.

Given the substantial proportion of the group's financial liabilities that are at fixed rates, and without scheduled amortisation, the group does not believe that potential sensitivities to interest rates would have a significant influence on the group's debt service commitments, income or expenses, or assets or liabilities.

25 Notes to the cash flow statement

Reconciliation of cash and cash equivalents to net borrowings:

	Year ended 31 December 2017 €m	**3 months ended 31 December 2016 €m**
Net (outflow)/inflow of cash and cash equivalents (note (a))	(242.82)	199.81
Total net borrowings at acquisition (note (a))	-	(807.45)
Increase in preference shares	(1.47)	(36.64)
Decrease in finance leases	0.61	0.11
Transaction costs in relation to new loans	(1.31)	10.60
Decrease/(increase) in borrowings	84.71	(1,579.26)
Other non-cash movements	(115.29)	(29.00)
FX movements	20.37	(2.15)
Increase in borrowings net of cash	**(255.20)**	**(2,243.98)**
Total net borrowings at start of year/period	(2,243.98)	-
Total net borrowings at 31 December	**(2,499.18)**	**(2,243.98)**

Note (a)
Included in net borrowings at acquisition is €182.54 million of cash at acquisition which if added to €199.81 million of net cash inflow of cash and cash equivalents equals €382.35 million of net increase in cash and cash equivalents, as presented on the face of the cash flow statement on page 26.

Notes *(continued)*

Analysis of movement in borrowings

	As at 1 January 2017 €m	Cash flows €m	FX movements (b) €m	Other non-cash movements (c) €m	As at 31 December 2017 €m
Bank overdrafts	**(52.04)**	(39.83)	5.49	-	**(86.38)**
Cash and bank deposits	**436.69**	(202.99)	(4.98)	-	**228.72**
Net cash and cash equivalents	**384.65**	**(242.82)**	**0.51**	-	**142.34**
Nestlé shareholder loan	**(826.39)**	-	13.36	-	**(813.03)**
Shareholder loan notes	**(946.01)**	75.00	-	(108.76)	**(979.77)**
Term loan B	**(801.34)**	-	7.24	-	**(794.10)**
Preference shares classified as liabilities	**(37.75)**	(1.47)	-	(4.53)	**(43.75)**
Factored borrowings	**(11.89)**	9.71	-	-	**(2.18)**
Finance lease obligations	**(15.35)**	0.61	(0.68)	-	**(15.42)**
Other borrowings	**(1.55)**	-	(0.06)	(0.28)	**(1.89)**
Gross borrowings net of cash	**(2,255.63)**	**(158.97)**	**20.37**	**(113.57)**	**(2,507.80)**
Transaction costs recognised on the balance sheet	**11.65**	-	-	(1.72)	**9.93**
Transaction costs paid in the year	-	(1.31)	-	-	**(1.31)**
Total net borrowings (a)	**(2,243.98)**	**(160.28)**	**20.37**	**(115.29)**	**(2,499.18)**

(a) Borrowings exclude derivative finance instruments

(b) FX movements relate to the Australian Dollar tranche of the Term Loan B, and the GBP and Brazilian Real tranches of the Nestlé shareholder loan.

(c) Other non-cash movements mainly relate to interest accrued on the Nestlé and PAI shareholder loan notes, and accrued dividends in respect of the preference shares.

26 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	Land and buildings 2017 €m	Land and buildings 2016 €m	Other assets 2017 €m	Other assets 2016 €m
Less than one year	**2.42**	9.08	**4.03**	3.15
Between one and five years	**19.91**	21.11	**18.13**	7.58
More than five years	**28.63**	32.10	**0.82**	0.05
	50.96	62.29	**22.98**	10.78

The group leases a number of warehouse and distribution facilities under operating leases, and also a proportion of its plant and equipment and distribution assets (mainly delivery vehicles). Land and buildings have been considered separately for lease classification: this predominantly relates to the main Australian property.

During the period, €20.48 million (2016: €6.92 million) was recognised as an expense in the income statement in respect of operating leases.

27 Commitments

Capital commitments

At 31 December 2017, the group has entered into contractual commitments to purchase property, plant and equipment for €5.32 million (2016: €7.52 million), for which no provision has been made.

28 Contingencies

From time to time, in the normal course of trading, the group may become subject to claims from third parties. The nature of such claims means they can take a long time to resolve. It is the group's policy to investigate claims, and in the event that a financial settlement is considered probable and the amount reliably estimable, provision is made.

29 Related parties

Nestlé SA

Nestlé SA and its subsidiaries are a significant shareholder in the ordinary shares of the Company, an investor in the Company's shareholder loan notes and the €813.03 million (2016: €826.39 million) Nestlé shareholder loans. Nestlé SA and its subsidiaries and affiliates are also a key trading partner for the group in respect of (*inter alia*): licensing arrangements for key brands and trademarks, products and other intellectual property; raw materials and other production inputs; and transitional service arrangements between Nestlé SA and its subsidiaries and the former Nestlé businesses within the Froneri group.

Transactions with Nestlé SA and its subsidiaries and affiliates in the period ended 31 December were as follows:

	Year ending 31 December 2017	3 month period ending 31 December 2016
	€m	€m
Transitional services arrangements	35.81	16.87
Licence fees	76.92	6.77
Purchase of raw materials and other inputs	19.52	3.76
Other transactions	3.57	1.67
Income from logistics services	(12.66)	(2.60)
	123.16	**26.47**

In the consolidated statement of financial position at 31 December 2017, trade and other receivables include amounts due from Nestlé SA group of €6.11 million (2016: €7.18 million), trade and other payables include amounts due to Nestlé SA group of €57.34 million (2016: €99.31 million). In 2017 the group paid Nestlé €13.30 million to settle dividends accrued at 30 September 2016 in respect of it German businesses. All transactions with related parties during the normal course of business are at arm's length.

In the consolidated statement of financial position at 31 December 2017, financial liabilities include amounts due to Nestlé SA group of €813.03 million (2016: €826.39 million) in respect of shareholder loans, €10.10 million (2016: €9.29 million) in respect of accrued but unpaid interest on the Nestlé shareholder loans and €nil million (2016: €114.10 million – restated) in respect of deferred consideration for the acquisition of the former Nestlé businesses. In addition, at 31 December 2017, €490.00 million (2016: €473.01 million) of the shareholder loan notes are payable to Nestlé SA and its subsidiaries and affiliates. In the year ended 31 December 2017 €37.50 million of shareholder loan notes and accrued interest was repaid to Nestlé.

Notes *(continued)*

29 Related parties *(continued)*

PAI Partners

PAI Partners is a significant shareholder in the ordinary shares of the Company and an investor in the Company's shareholder loan notes. In the consolidated statement of financial position at 31 December 2017, €490.00 million (2016: €473.01 million) of the shareholder loan notes are payable to PAI Partners (or funds managed by PAI Partners). In the year ended 31 December 2017 €37.50 million of shareholder loan notes and accrued interest was repaid to PAI partners. In the consolidated statement of financial position at 31 December 2017 and 31 December 2016, there are no balances within trade and other receivables and trade and other payables include amounts due to PAI Partners.

Transactions with key management personnel

The aggregate remuneration of the key management personnel (being the management board group directors) for the period were as follows:

	Year ended 31 December 2017 €m	3 month period ended 31 December 2016 €m
Remuneration	3.07	0.48
Contributions to defined contribution pension schemes	0.12	0.03
	3.19	**0.51**

The directors' remuneration is disclosed in note 6 to these financial statements.

30 Ultimate parent company

The Company is the ultimate parent company of the Froneri group of companies.

The directors judge there to be no ultimate controlling party.

No other group financial statements include the results of the Company.

Notes *(continued)*

31 Restatement of comparatives

The comparatives for the 3 month period ended 31 December 2016 have been restated as a result of the finalisation of the purchase price allocation exercise arising on the inception of the joint venture. The restatement has had the following impact on individual line items:

	Reported 2016 €m	Restated 2016 €m	Impact of restatement €m
Balance sheet			
Intangible assets	2,292.83	2,287.54	(5.29)
Property, plant and equipment	752.80	751.21	(1.59)
Deferred tax assets	62.74	60.69	(2.05)
Trade and other receivables	376.21	375.91	(0.30)
Assets classified as held for sale	4.12	3.35	(0.77)
Current liabilities – Financial liabilities	(203.30)	(189.40)	13.90
Current liabilities – Trade and other payables	(590.62)	(592.80)	(2.18)
Current liabilities – Current tax liabilities	(57.09)	(45.13)	11.96
Current liabilities – Provisions	(17.19)	(20.38)	(3.19)
Non-current liabilities - Deferred tax liabilities	(233.56)	(242.76)	(9.20)
Net assets			**(1.29)**
Currency translation reserve	21.76	23.78	2.02
Accumulated losses	192.56	189.25	(3.31)
Equity attributable to equity holders of the parent			**(1.29)**
Income statement			
Loss for the period before taxation	(221.39)	(216.16)	5.23
Taxation	13.81	11.89	(1.92)
Loss for the period	**(207.58)**	**(204.27)**	**3.31**
Consolidated Statement of Comprehensive Income			
Exchange differences on retranslation of foreign operations	**(17.88)**	**(19.90)**	**2.02**

The impact of the restatement on intangible assets is to reduce goodwill at 1 October 2016 by €46.25 million and 31 December 2016 by €30.13 million and to increase customer relationships at 31 October 2016 by €49.27 million and 31 December 2016 by €24.84 million.

The impact of the restatement on property, plant and equipment is to reduce land and buildings at 1 October 2016 by €3.86 million and 31 December 2016 by €2.75 million and to reduce plant and equipment at 31 October 2016 by €3.97 million and to increase the balance at 31 December 2016 by €1.16 million. The impact on assets classified as held for sale is to reduce the amount at 1 October 2016 and 31 December 2016 by €0.77 million.

The impact of the restatement on trade and other receivables to is to reduce prepayments and other receivables at 1 October 2016 by €2.54 million and by €0.30 million at 31 December 2016.

The impact of the restatement on current liabilities is to reduce the deferred consideration at 1 October 2016 and 31 December 2016 by €13.90 million, to increase other payables at 31 December 2016 by €2.18 million, to reduce the current tax liabilities at 31 December 2016 by €11.96 million, to increase the integration and restructuring provision at 1 October 2016 and 31 December 2016 by €2.54 million and to increase the employee benefits provision at 31 October 2016 and 31 December 2016 by €0.65 million.

31 Restatement of comparatives *(continued)*

The impact of the restatement on deferred taxes is to reduce the carrying value of deferred tax assets at 31 December 2016 by €2.05 million and increase the amount of deferred tax liabilities at 31 October 2016 by €14.59 million and 31 December 2016 by €9.20 million.

The impact of the restatement on the income statement is to reduce administrative expenses by €5.23 million, reducing the loss before taxation by €5.23 million and reducing the tax credit by €1.92 million. The overall impact is to reduce the loss for the 3 month period to 31 December 2016 by €3.31 million to €204.27 million.

Froneri Limited

Company only financial statements
31 December 2017

Company registered number: 10136349

Company Statement of Financial Position
at 31 December 2017

	Note	2017 €m	2017 €m	2016 €m	2016 €m
Fixed assets					
Investments	2		1,346.59		1,372.29
Current assets					
Trade and other receivables (including €1,061.55 million (2016: €1,080.84 million)) due after more than one year)	3	1,078.04		1,106.22	
Cash and cash equivalents		4.57		91.52	
		1,082.61		1,197.74	
Creditors: amounts falling due within one year	4,6	132.51		196.64	
Net current assets			950.10		1,001.1
Total assets less current liabilities			2,296.69		2,373.39
Creditors: amounts falling due after more than one year	5,6		1,815.98		1,786.31
Net assets			480.71		587.08
Capital and reserves					
Called up share capital	7		0.01		0.01
Share premium account	7		618.15		616.92
Profit and loss account			(137.45)		(29.85)
Total Shareholders' funds			480.71		587.08

The Company reported a loss for the financial year ended 31 December 2017 of €107.75 million (2016: loss of €29.85 million).

The financial statements on pages 89 to 99 were approved by the Board of Directors on 10 May 2018 and signed on its behalf by:

Ibrahim Najafi
Director

Company registered number: 10136349

The company has elected to take the exemption under Section 408 of the Companies Act 2006 from presenting the parent company profit and loss account.

Company Statement of Changes in Equity
for the year ended 31 December 2017

	Called up share capital €m	Share Premium account €m	Accumulated losses €m	Total Shareholders' funds €m
Balance at incorporation, 20 April 2016	-	-	-	-
Total comprehensive expense for the period				
Loss for the period	-	-	(29.85)	**(29.85)**
Total comprehensive expense for the period	**-**	**-**	**(29.85)**	**(29.85)**
Transactions with owners, recorded directly in equity				
Issue of shares	0.01	616.92	-	**616.93**
Total contributions by and distributions to owners	**0.01**	**616.92**	-	**616.93**
Balance at 31 December 2016	**0.01**	**616.92**	**(29.85)**	**587.08**
Balance at 1 January 2017	**0.01**	**616.92**	**(29.85)**	**587.08**
Total comprehensive expense for the year				
Loss for the year	-	-	(107.75)	(107.75)
Total comprehensive expense for the year	**-**	**-**	**(107.75)**	**(107.75)**
Transactions with owners recorded directly in equity				
Issue of shares	-	1.23	-	1.23
Share based payment	-	-	0.15	0.15
Total contributions by and distributions to owners	**-**	**1.23**	**0.15**	**1.38**
Balance at 31 December 2017	**0.01**	**618.15**	**(137.45)**	**480.71**

Notes
(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements of the Company.

Basis of preparation

The company is a private limited company, incorporated and domiciled in the United Kingdom.

The financial statements are presented in Euros, the company's functional currency, rounded to the nearest million and to two decimal places. They are prepared on a going concern basis and under the historic cost convention. The principal accounting policies applied in the preparation of these financial statements are set out below, and unless otherwise stated, these policies have been consistently applied to the period presented.

These financial statements were prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework ("FRS 101").* The amendments to FRS 101 (2014/15 Cycle) issued in July 2015 have been applied.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

In these financial statements, the company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- A Cash Flow Statement and related notes;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;
- Disclosures in respect of the compensation of Key Management Personnel.

As the consolidated financial statements include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of:

- IFRS 2 *Share Based Payments* in respect of group settled share based payments;
- Certain disclosures required by IAS 36 *Impairment of assets* in respect of the impairment of goodwill and indefinite life intangible assets;
- Certain disclosures required by IFRS 3 *Business Combinations* in respect of business combinations undertaken by the Company;
- Certain disclosures required by IFRS 13 *Fair Value Measurement* and the disclosures required by IFRS 7 *Financial Instrument Disclosures.*

Notes *(continued)*

1 Accounting policies *(continued)*

Measurement convention

The financial statements are prepared on the historical cost basis. Non-current assets and disposal groups held for sale are stated at the lower of previous carrying amount and fair value less costs to sell.

Going concern

At 31 December 2017, the company has net assets of €480.71 million (2016: €587.08 million).

The Directors have considered this position, together with the company and the group's budgets and positive net current assets position, and after making appropriate enquiries, the Directors consider that the company has adequate resources to continue in operational existence for the foreseeable future and therefore adopt the going concern basis for the preparation of the financial statements.

Foreign currencies

Transactions in foreign currencies are translated to the Company's functional currencies at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account.

Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the company. The company measures goodwill at the acquisition date as:

- the fair value of the consideration (excluding contingent consideration) transferred; plus
- estimated amount of contingent consideration (see below); plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, are expensed as incurred.

Investments

Investments are stated at cost less provision for permanent diminution in value.

Loans and borrowings

All loans and borrowings are initially recognised at fair value of the consideration received net of directly attributable transaction costs. After initial recognition, loans and borrowings are subsequently measured at amortised cost using the effective rate method.

Taxation

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Notes *(continued)*

1 Accounting policies *(continued)*

***Taxation** (continued)*

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that they probably will not reverse in the foreseeable future. The amount of deferred tax provided is based on the carrying amount of assets and liabilities, using the prevailing tax rates. The deferred tax balance has not been discounted.

Current tax is the expected tax payable on the taxable income for the year, using prevailing tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the reported values of assets, liabilities, revenues and expenses. The estimates and associated assumptions are based on historical experience and other judgements reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from those estimates. Significant areas of estimates and judgement for the company are:

- Valuation of investments and the related assessment for impairment. Management reviews the carrying value of its investments annually or if a trigger for impairment arises in the period. In making this assessment management takes into account factors including the price of recent acquisitions (in particular the EBITDA multiple for the transaction) and if appropriate performing impairment tests with reference to value in use calculations. This includes the use of the following key assumptions: discount factors, the annual budget and three-year strategic plan, and estimates in respect of growth rates and margins based on past performance and management's experience of growth rates and margins achievable in key markets.

- Measurement and recognition of intercompany balances related to group relief of tax losses within its UK corporation tax group. Significant judgement is required in determining current tax assets and this includes reassessing judgements formed in previous periods when circumstances change, such as changes in legislation, dialogue with tax authorities or other factors. Where this is the case, the judgement exercised in these matters may cause the company to alter balances from the amount initially recognised, and such differences will impact the current tax assets/ liabilities and credit/ charge in the period of determination. In particular judgement is required in respect to the deductibility of finance charges and exceptional costs.

Notes *(continued)*

2 Investments

	Shares in group undertakings €m
Cost and net book value	
At incorporation, 20 April 2016	-
Additions	1,372.29
At 31 December 2016	**1,372.29**
At 1 January 2017	1,372.29
Adjustment (see below)	(25.70)
At 31 December 2017	**1,346.59**

The list of the subsidiaries is disclosed in note 12 to the group's consolidated financial statements.

In the period ending 31 December 2016, Froneri Limited acquired the entire R&R Ice Cream plc business and part of the ice cream and frozen food business of Nestlé SA. These businesses were merged in a new joint venture vehicle, Froneri Limited. An element of the consideration was deferred, and estimated at the time to be €128.00 million. In the year ended 31 December 2017 the value of the deferred consideration has been agreed and settled at €114.10 million. In addition, as part of the merger the Company agreed to settle certain tax liabilities of Nestlé entities arising from the transaction. At 31 December 2016 €32.90 million was recognised as part of the consideration value. This has been revised at 31 December 2017, and as a result the estimated liability has been reduced by €11.80 million. In total the value of the consideration paid and recognised as an investment has reduced by €25.70 million.

3 Trade and other receivables

	2017 €m	2016 €m
Amounts owed by group undertakings	1,076.87	1,105.03
Other debtors, prepayments and accrued income	1.17	1.19
	1,078.04	**1,106.22**
Due within one year	16.49	25.38
Due after more than one year	1,061.55	1,080.84

Included within the balances above are €1,061.55 million (2016: €1,080.84 million) of structural and similar intra-group loan receivables, €12.62 million (2016: €12.79 million) of interest receivable (but unpaid) on intra-group loan receivables and €2.70 million (2016: €12.08 million) of other intra-group receivables.

The structural loan receivables have a seven-year term and fixed interest rates of on average 4.5%.

Subsequent to the year end, the balance of structural and similar intra-group loan receivables has reduced by €792.46 million in respect of loans due from Froneri International plc. This is due to Froneri International plc settling the Nestle shareholder loan (€792.46 million) on the Company's behalf (see note 6).

Notes *(continued)*

4 Creditors: amounts falling due within one year

	2017 €m	2016 €m
Other payables	2.94	-
Amounts owed to related parties	37.06	196.64
Amounts owed to group undertakings	92.51	-
	132.51	**196.64**

Included within amounts owed to related parties is €10.10 million (2016: €9.29 million) in respect of interest payable on the Nestlé shareholder loans, €21.22 million (2016: €32.92 million) of tax liabilities to be reimbursed to Nestlé and deferred consideration of €nil (2016: €128.00 million) (see note 9 to the consolidated financial statements).

5 Creditors: amounts falling due after more than one year

	2017 €m	2016 €m
Financial liabilities (see note 6)	1,815.98	1,786.31
	1,815.98	**1,786.31**

6 Financial liabilities

This note provides information about the contractual terms of the Company's financial liabilities, which are measured at amortised cost.

	2017 €m	2016 €m
Creditors falling due after more than one year		
Nestlé shareholder loan (see below)	792.46	802.55
Shareholder loan notes	979.77	946.01
Preference shares and accrued dividends	43.75	37.75
	1,815.98	**1,786.31**
Creditors falling due within less than one year		
Interest payable on Nestlé shareholder loan	10.10	9.29
Deferred consideration	-	128.00
	10.10	**137.29**

Further information about the contractual terms of the Company's financial liabilities, which are measured at amortised cost, are given in note 19 to the group's consolidated financial statements.

Notes *(continued)*

6 Financial liabilities *(continued)*

On 31 January 2018 the group completed a refinancing of its bank debt and its Nestle shareholder loan, replacing them with an external Term loan. The group now has a €1,200.00 million € denominated Term loan, €150.00 million A$ denominated Term loan (A$221.265 million) and €245.60 million GBP denominated Term loan (£215.00 million) together with a €220.00 million revolving credit facility. The loans have a maturity of 7 years

from the date of refinancing, which has extended the maturity of the group's term debt to 2025. As part of this the Company repaid the Nestle € shareholder loan (€792.46 million) and the new external debt was drawn down by its subsidiary Froneri International plc. The Nestle loan was settled on the Company's behalf by Froneri International plc resulting in a reduction of intercompany loans owing by Froneri International plc to the Company (see note 3).

7 Called up share capital

Share capital

	Called up share capital €m	Share premium account €m	Total €m
Shares issued for cash:			
- 583,638 A Shares of €0.01 each, issued for €506.08 each	0.005	295.36	**295.37**
- 583,638 B Shares of €0.01 each, issued for €506.08 each	0.005	295.36	**295.37**
- 50,788 C Shares of €0.01 each, issued for €506.08 each	0.00	26.74	**26.74**
- 48,703 D Shares of €0.01 each, issued for €10.00 each	0.00	0.69	**0.69**
- 11,126 deferred shares of €0.01 each, issued for €0.01 each	0.00	0.00	**0.00**
On issue at 31 December 2017, full paid	**0.01**	**618.15**	**618.16**

	Called up share capital €m	Share premium account €m	Total €m
Shares issued for cash:			
- 583,638 A Shares of €0.01 each, issued for €506.08 each	0.005	295.36	**295.37**
- 583,638 B Shares of €0.01 each, issued for €506.08 each	0.005	295.36	**295.37**
- 50,788 C Shares of €0.01 each, issued for €506.08 each	0.00	25.70	**25.70**
- 48,703 D Shares of €0.01 each, issued for €10.00 each	0.00	0.49	**0.49**
- 232 deferred shares of €0.01 each, issued for €0.01 each	0.00	0.00	**0.00**
On issue at 31 December 2016, full paid	**0.01**	**616.92**	**616.93**

The table above does not cast due to rounding.

Notes *(continued)*

7 Called up share capital *(continued)*

	2017 €m	2016 €m
Allotted, called up and fully paid shares:		
- Ordinary shares, of various classes, of €0.01 each	618.16	616.93
- Cumulative redeemable preference shares of €0.01 each, issued for €1.00 each	38.11	36.64
	656.27	**653.57**

	2017 €m	2016 €m
Share capital and premium classified as liabilities (being preference shares)	38.11	36.64
Share capital and premium classified in shareholders' funds	618.16	616.93
	656.27	**653.57**

During the year 1.47 million preference shares were issued at €1.00 each.

Ordinary shares

The Company has the following classes of ordinary shares: A Shares, B Shares, C Shares, D Shares and Deferred Shares. The rights attached to each of these classes of shares is as follows.

Voting rights

The A and B ordinary shares are entitled to voting rights, with one vote per share. The C and D ordinary shares do not have any voting rights. The Deferred Shares are not entitled to any voting rights.

Income rights

Any sums which the Company may lawfully distribute to the holders of the A, B, C and D ordinary shares shall be distributed in accordance with the provisions relating to capital rights which are set out below.

The holders of Deferred Shares are not entitled to receive dividends or distributions.

Capital rights

On a return of capital, on a winding-up or otherwise, the assets of the Company available for distribution shall be applied, in priority to any payment to the other shareholders, in paying to the holders of the Preference Shares an amount reflecting the amount subscribed (including share premium) plus a return of 12% per annum compounding annually on each anniversary of the merger completion date.

Notes *(continued)*

7 Called up share capital *(continued)*

The remaining assets available for distribution after payment to the holders of the Preference Shares shall be distributed as follows:

- First, to the holders and the A Shares, B Shares and C Shares until they have received such sum, which, when added to all of the amounts previously paid by the Company, is equal to the amount subscribed therefor plus such amount as is necessary to give the shareholders an amount equal to 12% per annum, compounding annually on each anniversary of the merger completion date;
  - Thereafter, if the applicable ratchet (defined in the Company's articles of association) results in the value attributable to the A, B and C ordinary shares (on the one hand) and the D Shares (on the other) being reallocated in accordance with the tables and provisions of the ratchet article, in accordance with the terms of the ratchet article; or
  - If the application of the ratchet article does not result in any change to the value attributable to the A, B and C ordinary shares (on the one hand) and the D shares (on the other), among the holders of the A, B, C and D ordinary shares *pro rata* to the number of A, B, C and D ordinary shares (treating them together, for these purposes, as a single class) held by each such holder.
- The ratchet conditions are dependent on the cash-on-cash return for the shareholders, the date of the exit event by comparison to the anniversary of the subscription date; and
- The percentage entitlement of the holders of the D Shares shall be contingent on (and determined by) the aggregate entitlement of the holders of the A, B, C, with any *pro rata* reductions to these shareholders returns being applied to the returns for the holders of D Shares.

In respect of the Deferred Shares, on a return of capital, whether on a winding-up or otherwise, the Deferred Shares shall entitle the holder thereof only to the repayment of the amounts paid up on such Deferred Shares (including any premium) after repayment of the capital paid up on the Ordinary Shares plus the payment of a given sum in aggregate on all of the Ordinary Shares and the holders of the Deferred Shares (as such) shall not be entitled to any further participation in the assets or profits of the Company.

Preference shares

The preference shares are redeemable at any time at the option of the company, though subject to the Companies Act 2006, investor consent and the terms of the group's financing obligations. There is no premium on redemption. The holders of preference shares are entitled to receive cumulative dividends on redemption and are not entitled to vote at meetings of the Company. The economic features of the shares are the same as the shareholder loan notes. These shares are presented as debt within financial liabilities.

Issue of shares

In the year ended 31 December 2017, ordinary and preference shares were issued as set out below.

	Total €m
2,043 C shares of €0.01 each, issued for €506.08 each	1.03
20,028 D shares of €0.01 each, issued for €10.00 each	0.20
10,894 Deferred shares of €0.01 each, issued for €0.01 each	0.00
1,472,217 Preference shares issued for €1.00 each	1.47
	2.70

Notes *(continued)*

8 Staff costs and directors' remuneration

The company has no employees. The directors who are employed by the other companies within the Froneri Group is disclosed in note 6 to the consolidated financial statements.

9 Ultimate parent company

The Company is the ultimate parent company of the Froneri group of companies.

The directors judge there to be no ultimate controlling party.

No other group financial statements include the results of the Company.