Froneri Limited

Annual report and financial statements

Registered number 10136349

31 December 2018

Contents

Strategic report

Overview of the business

Froneri Limited ("Froneri" or the "Group") is a joint venture, which is owned and controlled in equal shares between the private equity firm PAI Partners ("PAI") and Nestlé SA, ("Nestlé"). It was formed on 1 October 2016, as a result of the merger of the entire activities R&R Ice Cream plc ("R&R") and part of the ice cream and frozen food businesses of 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 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 17 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 umbrellas. 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.

As a result 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, to capture significant cost synergies, enhance margins, and drive opportunities to grow sales from key brands.

Strategic report *(continued)*

Performance summary

For the year ended 31 December 2018, Froneri generated revenue of €2,602.95 million (2017: €2,513.07 million), an EBITDAE* of €431.57 million (2017: €317.95 million) and free cash flow before acquisitions, financing and exceptional items of €149.14 million (2017: €36.71 million). At 31 December 2018 the Group and Company had net assets of €13.32 million and €368.67 million respectively (2017: €186.36 million and €480.71 million).

Froneri has continued to demonstrate strong growth in 2018, benefitting from the Group's focus on the organic growth of the Group's global A Brands, targeted investment in advertising and promotional support and investment in freezers for out of home sales. The Group's post-merger integration is ahead of plan with the continued realisation of cost synergies from better procurement and the benefit of streamlining the Group's operational footprint, as well as general overhead savings.

At a revenue level the Group has delivered organic growth of 3.58% (year-on-year), with the Group's global A Brands, driving this growth. The very good summer weather across Q2 2018 helped to increase market volumes across Europe, benefiting our European businesses. Froneri has also benefited from the launch of A Brands into new markets, such as the launch of Extrême in the UK market and Oreo in Russia and Egypt.

EBITDAE growth has also exceeded expectations with the continued realisation of cost synergies, volume growth and overhead savings form the initiatives described above.

The Group has had a one off benefit to EBITDA year-on-year of approximately €20 million , as a result of the early adoption of IFRS 16 Leases which means that certain lease costs which in 2017 were recognised as a deduction to EBTIDA, in 2018 are now recognised as depreciation charges, because the associated lease arrangements are treated as assets on the consolidated statement of financial position and depreciated over their useful economic lives to the income statement (this is described further in Note 11, in the notes to the financial statements).

In 2018, Froneri incurred €180.77 million of total exceptional costs (2017: €119.10 million) which mainly related to restructuring and integration projects and included €87.30 million relating to restructuring costs, €44.13 million of tangible asset impairments and €40.85 million of intangible asset impairments. These are described further in note 4 to the consolidated financial statements.

On 14 January 2019 the Group announced the closure of its factory in Bulgaria and at 31 December 2018 the Group recognised €5.35m of asset impairments related to the planned closure, which are included in the €44.13 million noted above.

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.

Revenue

Revenue for the year ended 31 December 2018 was €2,602.95 million (2017: €2,513.07 million). The geographic split of revenue was €2,096.55 million (2017: €2,017.44 million) in Europe and €506.40 million (2017: €495.63 million) in the rest of the world (largely Australia).

*EBITDAE is EBITDA before exceptional items (as defined on page 44)

Strategic report *(continued)*

Performance summary *(continued)*

Revenue *(continued)*

Revenue increased by 3.58% (year-on-year) with the Group's global A brands growing 17.90% resulting from the continued focus on selling initiatives and continued investment in marketing and promotional spend. The Group, has grown its Mondelēz licenced sales, following the launch of Mondelēz brands across several new markets and within the out-of-home markets in 2017. As previously noted the very good summer weather helped to increase sales volumes in Q2 2018, across the European businesses, which also contributed to the growth in private label sales which increased 13.71% (year-on-year), particularly in the UK, France and Italy.

Overall the top 8 markets accounted for 81% (2017: 76.9%) of total Group revenue. Those markets include Australia, Brazil (2017: Egypt), the UK, Germany, France, Italy, Spain and Switzerland.

EBITDAE

EBITDAE for the year ended 31 December 2018 was €431.57 million (2017: €317.95 million). The geographic split of EBITDAE was €378.55 million (2017: €247.78 million) in Europe and €53.02 million (2017: €70.17 million) in the rest of the world.

The Group has performed strongly in 2018 with EBITDAE growth of 35.74% year-on-year (2017: n/a). Excluding the impact of IFRS 16 EBITDAE growth was 29.44%. In addition to organic growth, the Group has continued to benefit from better procurement and the implementation of plans to streamline both the operational footprint (including the closure of factories) and general overhead savings.

Exceptional items

Exceptional costs of €180.77 million were incurred in 2018 (2017: €119.10 million). As noted in the performance summary, the costs mainly arose from restructuring and integration projects (see note 4 to consolidated 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.

Cash flows

Froneri generated €149.14 million (2017: €36.71 million) of free cash flow before acquisitions, financing and exceptional items. Strong operating cash flow of €352.66 million (2017: €162.05 million) (including €95.79 million impact of exceptional items (excluding impairments) (2017: €118.77 million)) and favourable working capital movements of €16.88 million (2017: Adverse movements of €37.13 million), was offset by interest payments of €76.46 million (2017: €73.92 million) and corporation tax payments €24.04 million (2017: €31.11 million). As a result, the Group generated €252.16 million from operations, an increase of 342% on the prior year. In line with its strategy, the Group invested €193.69 million in manufacturing capacity and capability compared to €105.38 million in 2017.

Strategic report *(continued)*

Performance summary *(continued)*

Capital structure

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)*

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 year ended 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

The principal exchange rates in use in the year ended 31 December 2018 and as at 31 December 2018 are shown below:

Currency	Symbol	31 December 2018	1 January – 31 December 2018 average
Argentinian Peso	ARS	43.71	32.94*
Australian Dollar	AUD	1.63	1.58
Bulgarian Lev	BGN	1.96	1.96
Brazilian Real	BRL	4.44	4.31
Swiss Franc	CHF	1.13	1.15
Egyptian Pound	EGP	20.56	21.01
British Pound Sterling	GBP	0.90	0.88
Philippine Peso	PHP	60.31	62.19
Polish Zloty	PLN	4.30	4.26
Romanian Leu	RON	4.66	4.65
Serbian Dinar	RSD	118.19	118.12
Russian Rouble	RUB	79.46	74.03
South African Rand	ZAR	16.45	15.61

*due to the adoption of IAS 29 the year end rate is used for all conversions of the Argentinian Peso

Strategic report *(continued)*

Strategy

The Group's goal is to consolidate its 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.

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 is being 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.

Strategic report *(continued)*

Strategy *(continued)*

Take costs out

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

- Implementing an independent strategy for the branded business and respective segments per country;
- The core brand portfolio being 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;
- 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.

Strategic report *(continued)*

Strategy *(continued)*

Market position, trends and other factors affecting future performance

Froneri regards the market as being 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 anticipate and 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 anticipated exit of the UK from the European Union continues to create uncertainty for the Group because its headquartered in the UK and the UK represents a key market. The Group has a Brexit Committee, which over the course of the last 18 months has met on a regular basis to assess the risks and produce an impact assessment for the Group (including the use of external advisors to support their work). It is also discussed regularly in the monthly Group Board meetings. In the past year, it has put in place plans to try to mitigate the impact of Brexit, despite the inherent uncertainties created by the inability of the UK government to agree a withdrawal deal, and as of the date of these accounts, a lack of certainty on the timing of a potential exit date. 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 it 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

In 2018 Froneri developed a new Health & Safety (H&S) Strategy with the objective of accelerating risk reduction initiatives across the Group and delivering exceptional H&S performance. There are a number of key initiatives associated with this strategy, including:

- Embedding an approach which encourages all employees to behave in a safety-conscious way – helping to eliminate, or at least minimise, the number and severity of incidents.
- Launching a Group-wide Safety Management System, which includes enhanced reporting as well as safety auditing on a country-by-country basis.
- The mandatory development of local country-specific risk management and H&S plans. These are designed to reinforce local ownership of H&S performance and, most importantly, enable progress to be measured and monitored.

Strategic report *(continued)*

Health & Safety and Environmental matters *(continued)*

H&S is the first item on the agenda of the Group's weekly KPI calls with each country, with each Country Head expected to take personal responsibility for performance in this area. It is also an agenda item at all management board meetings, where the opportunity is taken to review performance in greater detail. It is also discussed in detail at the Group's weekly operations meetings, where lessons learned from any incidents or near miss reports are shared across the Group, ensuring immediate action is taken to minimise the risk of similar incidents reoccurring.

The Group aims to operate in an environmentally-responsible manner at all times. Compliance with relevant legislation and regulations is regarded as imperative, and the adoption of responsible standards where no legislation exists is an integral part of business strategy. The Group recognises that its activities have an impact on the environment. To reduce this, it sets environmental objectives and targets relating to energy reduction (electricity, gas) and water usage.

In the last few years Trigeneration (combined heat and power – "CHP") power plants have been installed at 3 Group locations, to increase the energy efficiency of its manufacturing facilities. The most recent plant was installed at the Group's facility in Ferrentino, Italy. The commissioning process started in February 2019 and is expected be fully operational by the end of Q1 2019. In 2018 Froneri has also implemented a new waste water treatment plant at its Osnabruck factory in Germany and has a number of committed capital expenditure projects in the pipeline to upgrade water treatment and use at a further 5 factories in the next 2 years.

The Group also looks to reduce its environmental footprint through minimising waste by prevention, reuse and recycling. These targets are monitored and reviewed through KPIs.

Raw materials are purchased from sustainable sources, for example all our ice cream sticks are 100% sustainable, and the Group uses recycled card and paper in its packaging where possible. Froneri is also increasing year-on-year the level of recyclable plastic packaging to reach 100% by 2025.

Social and community matters

Froneri works closely with its customers and brand partners in the development of products and assessment of their health impacts, including fat, sugar and salt content.

It aims to be a good corporate citizen recognising its responsibility to work in partnership with the communities in which it operates. The Group encourages active employee support for their local 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 donating products that charities and communities can then sell to raise funds. It is the Group's policy not to make political donations.

Strategic report *(continued)*

Business ethics and human rights

Froneri 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 Group's supply chain is audited by Froneri to ensure that suppliers operate in an ethically and socially responsible manner.

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

In 2018 Froneri ran its first global employee engagement survey which had a strong overall participation rate and intends to repeat the survey on an annual basis. The overall engagement score for the Group was good considering the high rate of transformational change that has taken place in the business over the first two years of its existence. The Group has set engagement targets, which compare favourably with global benchmarks. Each country is required to develop action plans that address the areas the survey highlights in their business. These plans are monitored at a Group level on a quarterly basis. Similarly, there is an action plan which covers Group-wide activity to build employee engagement.

Feedback is encouraged on any issues that are of concern to employees on an ongoing basis. In 2018 the Group introduced a new integrity call policy which is designed to empower "whistle-blowers" to report matters that they wish to bring to the attention of the business. This service is provided through a dedicated third-party who provide a 24/7 telephone hotline in all of the Group's languages on an anonymous basis, where that is the caller's preference, empowering employees to raise any concerns they may have without fear of any consequences.

Froneri 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 provided information on its website and through regular employee communications. Over the course of 2018, as the Group completed the majority of its IT integration activity, each country obtained access to a new intranet site which further enhances its ability to communicate vital information to its workforce. In each of the operating countries the Group provides channels through which employees can express views and communicate regularly with senior management of the business.

Diversity; Gender-based reporting and Disability

The Group is committed to training and development that improves workforce capabilities, skills and competencies, with each country preparing its own local training and development strategy as part of its rolling three-year business plan. At Group level several training and development themes are identified that have a universal application. These themes include leadership development, commercial acumen and ice cream knowledge. Programmes to meet these needs are developed in house or via external providers and are then are rolled out across the Group.

Strategic report *(continued)*

Diversity; Gender-based reporting and Disability *(continued)*

Froneri is committed to gender-neutral employment policies, including retention, recruitment and remuneration. Currently the six-strong Froneri board is all male. The Group has 2 female country heads (2017: 2). As of 31 December 2018, the Group had 10,713 (31 December 2017: 10,212) permanent and seasonal employees. This total was made up of 3,327 (31 December 2017: 3,248) women and 7,386 (31 December 2017: 6,964) men. In terms of seniority, there are 178 senior managers of whom 44 are female and 134 male, and 10,535 other employees of whom 3,283 are female and 7,252 are male. Over the course of a year the size of the workforce changes significantly due to the seasonal nature of the business which means the Group has not historically been able to measure or monitor this gender split. In the fourth quarter of 2018 the Group designed, and is in the process of implementing, its new human resources reporting systems which during 2019 will allow it to measure and monitor the gender breakdown of the global workforce on a regular basis.

In 2018 Froneri continued its talent and succession planning activity with an emphasis on the "top 200" roles across the Group. As part of this activity it aims to ensure that it undertakes the activity mindful of gender considerations. Its aim is to increase the proportion of women in senior roles both for the benefits that this diversity brings and to better reflect the diversity of its consumers. The object of this exercise is to identify its areas of strength and relative weakness from a talent perspective. It is only by undertaking this exercise on a regular basis that the Group can begin to identify the actions we need to take to put the talent in place, which will ensure the success of the business over the medium and long term.

Actions in talent and succession place an emphasis on developing existing talent in the organisation, taking a strategic view of any external hire opportunity and making sure there are measures in place to retain critical people. These actions are a key focus of Group level activity and act as a template for Country Heads to follow.

Froneri is a culturally diverse company which is determined to develop an inclusive culture respectful of the contribution of all employees regardless of age, country of origin & race, disability, gender/gender identity & sexual orientation, religion, marital status & dependants, political views and social class. It recruits, employs, rewards, trains and promotes employees on the sole basis of merit and the specific qualifications and abilities needed for the work to be performed.

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.

Strategic report *(continued)*

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:

- Safety
- Production volume
- Sales volume and value
- Order intake

KPIs monitored weekly/monthly are the above plus:

- Reportable accidents
- 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
- Service levels
- Market share

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.

Strategic report *(continued)*

Principal risks and uncertainties *(continued)*

- 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.

Financial Risk Management Policies and Objectives

The Group finances its activities with a combination of a bank loans, 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. In 2018 Argentina became a hyper inflationary economy and as a result the Group has applied hyperinflation accounting, which is described in note 26 to the financial statements.

Strategic report *(continued)*

Financial Risk Management Policies and Objectives *(continued)*

- The Group's term loans are denominated in Euros, Sterling and in Australian Dollars. 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 Group's 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 (including the Group's term loans) 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 consolidated financial statements.

On behalf of the Board

Ibrahim Najafi
Director
30 April 2019

Directors' report

The Directors present their annual report and the audited financial statements of the Group for the year ended 31 December 2018.

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

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 and will serve in this position until the end of the 2018/19 season following the announcement of his resignation in December 2018. 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 and Froneri's HR Director 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 2018.

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

30 April 2019

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 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 keeping adequate accounting records that are sufficient to show and explain the Group and parent company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and parent company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The Directors are responsible for the maintenance and integrity of the parent 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

Philip Mellor
Secretary

30 April 2019

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 (the "financial statements"):

- give a true and fair view of the state of the group's affairs as at 31 December 2018 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- 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 statement of financial position as at 31 December 2018; the consolidated income statement and statement of comprehensive income, the consolidated statement of changes in equity and consolidated cash flow statement 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

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 parent 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.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the group's trade, customers, suppliers and the wider economy.

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

Reporting on other information

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

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

With respect to the 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 2018 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 its 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 20, 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 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 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.

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

Responsibilities for the financial statements and the audit (continued)

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.

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
- certain disclosures of directors' remuneration specified by law are not made; or

We have no exceptions to report arising from this responsibility.

Other matter

We have reported separately on the parent company financial statements of Froneri Limited for the year ended 31 December 2018.

Ian Morrison (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Leeds
30 April 2019

Consolidated Income Statement

for the year ended 31 December 2018

	Notes		2018 €m		2017 €m
Revenue	2		**2,602.95**		**2,513.07**
Cost of sales			(1,569.43)		(1,544.37)
Gross profit			**1,033.52**		**968.70**
Distribution expenses			(283.47)		(311.37)
Administrative expenses			(688.39)		(627.00)
Operating profit/(loss) before exceptional items			**242.43**		**149.43**
Exceptional items – within Cost of sales		(25.63)		(25.93)	
Exceptional items – within Distribution expenses		(3.92)		(8.70)	
Exceptional items – within Administrative expenses		(151.22)		(84.47)	
Total exceptional items	4		**(180.77)**		**(119.10)**
Operating profit after exceptional items	5,6		**61.66**		**30.33**
Financial income			19.55		9.15
Financial expenses			(236.91)		(221.58)
Net financing expense	7		**(217.36)**		**(212.43)**
Loss before tax			**(155.70)**		**(182.10)**
Taxation	8		5.38		7.40
Loss for the year			**(150.32)**		**(174.70)**
Attributable to Equity holders of the parent:					
Loss for the year			**(150.32)**		**(174.70)**

The notes on pages 29 to 91 form an integral part of the consolidated financial statements.

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2018

	Note	2018 €m	2017 €m
Loss for the year		**(150.32)**	**(174.70)**
Other comprehensive (expense)/income			
Items that may be subsequently reclassified to profit or loss			
Exchange differences on retranslation of foreign operations	23	(47.51)	(78.66)
Net investment hedging		10.73	16.73
		(36.78)	**(61.93)**
Items that will never be reclassified to profit or loss			
Remeasurements of post-employment benefit obligations	21	0.85	17.71
Impact of hyperinflation	26	12.09	-
Total other comprehensive expense for the year, net of tax		**(23.84)**	**(44.22)**
Total comprehensive expense for the year		**(174.16)**	**(218.92)**

The total comprehensive expense for the year is attributable to the equity holders of the parent.

The notes on pages 29 to 91 form an integral part of the consolidated financial statements.

Consolidated Statement of Financial Position

at 31 December 2018

	Notes	2018 €m	As Restated (note (a)) 2017 €m
Non-current assets			
Intangible assets	9	2,080.16	2,183.19
Property, plant and equipment	10	686.52	697.49
Right-of-use assets	11	82.05	-
Financial assets	13	31.44	35.62
Deferred tax assets	14	96.47	91.09
		2,976.64	**3,007.39**
Current assets			
Inventories	15	283.05	241.23
Current tax receivables		14.56	17.92
Other financial assets	13	6.19	9.93
Trade and other receivables	16	404.18	368.25
Cash and cash equivalents	17	321.86	228.72
		1,029.84	**866.05**
Assets classified as held for sale	18	3.63	3.16
Total current assets		**1,033.47**	**869.21**
Total assets		**4,010.11**	**3,876.60**
Current liabilities			
Financial liabilities	19	131.20	99.38
Trade and other payables	20	645.67	556.31
Current tax liabilities		32.70	36.72
Provisions	22	55.63	49.52
		865.20	**741.93**
Non-current liabilities			
Financial liabilities	19	2,836.94	2,637.38
Employee benefits	21	54.53	60.01
Provisions	22	48.10	12.71
Deferred tax liabilities	14	192.02	238.21
		3,131.59	**2,948.31**
Total liabilities		**3,996.79**	**3,690.24**
Net assets		**13.32**	**186.36**
Equity attributable to equity holders of the parent			
Share capital	23	0.01	0.01
Share premium*	23	323.30	322.79
Merger reserve*	23	295.36	295.36
Currency translation reserve	23	(122.49)	(85.71)
Accumulated losses	23	(482.86)	(346.09)
Total equity		**13.32**	**186.36**

* Note (a) The share premium reserve has been restated at 31 December 2017 to reallocate €295.36 million to a merger reserve (see note 31)

The financial statements on pages 24 to 91 were approved by the Board of Directors on 30 April 2019 and signed on its behalf by:

Ibrahim Najafi
Director

Company registered number: 10136349

The notes on pages 29 to 91 form an integral part of the consolidated financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2018

	Share capital €m	Merger Reserve €m	Share premium €m	Currency translation reserve €m	Accumulated losses €m	Total equity €m
Balance at 1 January 2017 (as restated see note 31)	0.01	295.36	321.56	(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 24)	-	-	-	(61.93)	17.71	**(44.22)**
Total comprehensive expense for the year	**-**	**-**	**-**	**(61.93)**	**(156.99)**	**(218.92)**
Balance at 31 December 2017 (as restated see note 31)	**0.01**	**295.36**	**322.79**	**(85.71)**	**(346.09)**	**186.36**
Total contributions by and distributions to owners						
Issue of shares (note 23)	-	-	0.51	-	-	**0.51**
Share-based payment (note 21)	-	-	-	-	0.61	**0.61**
Total contributions by owners	-	-	0.51	-	0.61	**1.12**
Total comprehensive expense for the year						
Impact of hyperinflation (note 26)	-	-	-	-	12.09	**12.09**
Loss for the year	-	-	-	-	(150.32)	**(150.32)**
Other comprehensive expense (note 23)	-	-	-	(36.78)	0.85	**(35.93)**
Total comprehensive expense for the year	**-**	**-**	**-**	**(36.78)**	**(137.38)**	**(174.16)**
Balance at 31 December 2018	**0.01**	**295.36**	**323.30**	**(122.49)**	**(482.86)**	**13.32**

The notes on pages 29 to 91 form an integral part of the consolidated financial statements.

Consolidated Cash Flow Statement

for the year ended 31 December 2018

	Notes	2018 €m	2017 €m
Cash flows from operating activities			
EBITDAE	3, 5	431.57	317.95
Adjustments for exceptional items (excluding impairments)	4	(95.79)	(118.77)
Operating cash flow before working capital and provisions		**335.78**	**199.18**
(Increase)/decrease in trade and other receivables		(22.35)	9.90
(Increase) in inventories		(36.17)	(4.35)
Increase/(decrease) in trade and other payables		101.01	(68.61)
Increase in provisions and employee benefits		10.14	24.04
(Decrease)/Increase in financial assets		(35.75)	1.89
Operating cash flow		**352.66**	**162.05**
Interest paid		(76.46)	(73.92)
Tax paid		(24.04)	(31.11)
Net cash generated from operating activities		**252.16**	**57.02**
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		0.96	2.23
Interest received		0.59	1.34
Acquisition of subsidiaries, net of cash acquired		-	(114.10)
Acquisition of property, plant and equipment	10	(166.75)	(83.68)
Acquisition of other intangible assets	9	(26.94)	(21.70)
Net cash used in investing activities		**(192.14)**	**(215.91)**
Net cash flow generated/(used) in operating and investing activities		**60.02**	**(158.89)**
Cash flows from financing activities			
Proceeds from the issue of ordinary share capital	23	0.51	1.23
Proceeds from the issue of preference shares	23	0.05	1.47
Net proceeds from other borrowings (net of foreign exchange)	19	110.05	-
Proceeds from drawdown of new Term loan debt	19	795.59	-
Transaction costs in relation to new loans	19	(5.22)	(1.31)
Repayment of shareholder loans	19	(812.64)	-
Drawdown/(repayment) on factoring	19	2.47	(9.71)
Payment of lease liabilities		(17.23)	(0.61)
Repayment of shareholder loan notes		-	(75.00)
Net cash generated/(used) from financing activities		**73.58**	**(83.93)**
Net increase/(decrease) in cash and cash equivalents	25	**133.60**	**(242.82)**
Cash and cash equivalents at 1 January		142.34	384.65
Effect of exchange rate fluctuations on cash held		1.26	0.51
Cash and cash equivalents at 31 December	17	**277.20**	**142.34**
Memorandum:			
Net cash flow from operating and investing activities		60.02	(158.89)
Acquisition of subsidiaries, net of cash acquired		-	114.10
Exceptional operating items – cash flows		89.12	68.20
Nestlé payment relating to pre-merger liabilities	29	-	13.30
Free cash flow before acquisitions and exceptional operating items		**149.14**	**36.71**

The notes on pages 29 to 91 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 limited by shares, 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 92 to 107 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. As at 1 January 2018 the Group has adopted IFRS 16 – Leases, which is applicable to all lease agreements in place during the year. This is described in further detail in 1.11 Leases accounting policy on page 35. IFRS 15 Revenue from Contracts with Customers has been applied from 1 January 2018 using the modified retrospective approach – see page 39. IFRS 9: Financial Instruments has also been applied from 1 January 2018 – see 1.5 for more information. The Group has also applied IAS 29 Financial Reporting in Hyperinflationary Economies to its Argentinian subsidiary. This is described further in Note 26 on page 88 to the 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 1.22.

The Group has restated its share premium reserve as at 31 December 2017 to allocate an amount to a merger reserve. This representation does not impact net assets as reported at 31 December 2016 or 2017 and is set out in note 31 of these consolidated financial statements. As a result of the nature of the restatement the Group has not presented a third consolidated statement of financial position.

Going concern

At 31 December 2018, the Group had net assets of €13.32 million (2017: €186.36 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.

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

Financial assets and liabilities are recognised in the Group's consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned and are initially measured at fair value. All recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Debt instruments which meet the following conditions are subsequently measured at amortised cost:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cashflows; and
- The contractual terms of the financial asset give rise on specified dates to cashflows that are solely payments of principal and interest on the principal amount outstanding.

If the business model is to both hold and sell financial assets, these assets meet the criteria to be measured at fair value through other comprehensive income. All other financial assets are measured at fair value through profit and loss. In the current year, the Group does not have any financial assets designated as fair value through other comprehensive income.

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.

The Group derecognises a financial asset only when the contractual rights to the cashflows from the assets expire or when the financial assets and substantially all the risks and rewards of ownership of the asset transfer to another party.

There have been no changes in the classification of financial instruments upon transition to IFRS 9 with the exception of customer advances described below, which are now classified as fair value through profit and loss (FVPL) as opposed to amortised cost.

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. The effective interest is the rate that exactly discounts estimated future cash receipts (including all fees and premiums/discounts) excluding expected credit losses, through the expected life of the debt instrument. This

Notes *(continued)*

1 Accounting policies *(continued)*

1.6 Non-derivative financial instruments *(continued)*

credit adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method, adjusted for any loss allowance.

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.

Customer advances

Customer advances are those balances provided to concessionaires as part of an agreement to secure the sale of ice-cream from their outlet. These are classified as fair value through profit and loss and are initially recognised at fair value which is revised at each reporting period, with fair value movements due to amounts recovered through sales and customer difficulties reflected in the revised value with the difference posted to the Statement of Profit and Loss.

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.

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.

Items previously classified as finance leases in accordance with IAS 17, which were included in property, plant and equipment in 2017, now fall under the requirements of IFRS 16 which was adopted from 1 January 2018. These assets are now held as Right-of-use assets and disclosed separately from property, plant and equipment. Prior year comparatives have not been restated. Please see *1.11 Leases* for more information.

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

Notes *(continued)*

1 Accounting policies *(continued)*

1.8 Property, plant and equipment *(continued)*

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.

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.

Notes *(continued)*

1 Accounting policies *(continued)*

1.9 Business combinations *(continued)*

Determination of fair values on business combinations *(continued)*

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.

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

Notes *(continued)*

1 Accounting policies *(continued)*

1.11 Leases

Froneri is party to lease contracts across the Group, which relate to office buildings, plant equipment, vehicles, warehouses and distribution centres to facilitate the storage, processing and transportation of ice-cream to its destination.

As at 1 January 2018 the Group has adopted IFRS 16 – Leases, which is applicable to all lease agreements in place during the year. The Group has elected to apply the following exemptions whereby the following leases will be charged to the Consolidated Income Statement:

- Leases with a length of less than twelve months from the date of commencement; and
- Low value leases, defined as those where the price of the underlying asset as new is less than €5,000.

Under IAS 17 Leases, at the end of 2017 the Group disclosed €73.94m of operating leases and €15.42m of finance leases included within the financial statements. The below table shows a reconciliation between the operating lease commitments presented under IAS 17 at the end of 2018 to the opening lease liabilities recognised in accordance with IFRS 16.

IAS 17 operating lease commitments based on gross cash flows disclosed at 31 December 2017	73.94
Discounted using incremental borrowing rate of 5.5% applied at 1 January 2018	60.20
Add: finance lease liabilities	15.42
Less: contracts to which the short-term leases exemption has been applied	(1.27)
Other reconciling items	0.51
IFRS 16 lease liability as at 1 January 2018	**74.86**

For all other lease agreements where a group company is the lessee during the 2018, the company is now required to recognise a right-of-use asset and a lease liability. Amounts recognised through the Consolidated Income Statement in 2018 are €1.68m relating to low value leases and variable lease payments.

Right of use assets are measured using the cost model and depreciated in accordance with IAS 16 Property, Plant and Equipment on a straight-line basis over the lease term. The lease liability is measured at the present value of the remaining lease payments discounted at the incremental borrowing rate. On application the group elected to measure the right-of-use asset at an amount equal to the lease liability adjusted for accruals and prepayments. As a result of this there was no difference between the asset and liability to be recognised in retained earnings.

The incremental borrowing rate is the rate of interest that the Company would need to pay to borrow over a similar term, and with similar security, the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment. The all-in discount rate is a combination of a margin and floating rate. Applicable margins have been determined by reference to existing margins on 3rd party loans which takes into account the credit worthiness of the entity. Floating rates have been sourced directly from Reuters for each applicable currency and relevant maturity which considers existing market conditions. At the 1 January 2018 the weighted average incremental borrowing rate across the group was 5.5%.

The treatment of non-lease components has been assessed by class of underlying asset present within the lease. For vehicles, plant and equipment the value of the non-lease components have been included within the lease payment used to derive the lease liability. For buildings (including offices, warehouses and distribution centres), the non-lease components have also been included in the lease payment.

Where agreements contained extension or termination options which can be implemented by both parties, it is assumed that the date the agreement can be terminated without penalty is the end of the lease agreement. Leases which contain purchase options will be reassessed should the decision regarding exercising this option be revised. Residual value guarantees do not have a significant impact on the Groups leasing arrangements.

The type of variable payment most prevalent within the Group are those present on vehicles relating to excess mileage, index-linked increases to building rental and annual percentage increases to certain buildings. These

Notes *(continued)*

1 Accounting policies *(continued)*

1.11 Leases (continued)

variable components are not considered to represent a significant financial risk to the Group in terms of volatility or quantum.

Where variable payments detailed in the lease agreement are those which cannot be readily determined at the measurement point of the lease, such as payments triggered by driving excess kilometres on a lease car, these amounts are charged to the Statement of Profit and Loss as they take place. Leases that contain variable indexed payments will prompt a remeasurement of the lease liability at the point at which the information regarding a change in the underlying index becomes available to adjust the present value of the lease agreement.

If a lease has been committed to but not yet commenced, this has been included within the capital commitments note 27 to the consolidated financial statements on page 89.

1.12 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.

1.13 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 if a provision needs to be made against the amount due for recovery. Under IFRS 9 a financial asset is impaired if, when considering the life of the amount receivable, we do not expect to recover the full amount of the balance. The impairment model reflects expected credit losses as opposed to incurred credit losses and is refreshed at each reporting date.

The Group has applied the simplified approach to recognise the lifetime expected losses for its trade receivables as permitted by IFRS 9. This expected lifetime credit losses impairment model applies to the Group's financial assets which are measured at amortised cost, which are primarily trade receivables.

There are no loans to related parties outside the Group to consider for calculating exposure to credit risk. Further information on credit risk is included in note 24 of these financial statements.

The expected credit losses on trade receivables are estimated using a provision matrix based on the individual country's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date. This has been calculated on a by-country basis by local management.

Customer balances are considered for impairment by reference to the sales performance of the customer compared to the contracted targets as well as credit risk factors known about the customer and their expected performance.

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit impaired includes observable data about the following events:

- Significant financial difficulty of the customer
- Breach of contract or non-payment and past due balances
- Bankruptcy of the customer or other financial reorganisation

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate and local regulatory requirements for writing off balances. Any recoveries made are recognised in profit or loss.

Notes *(continued)*

1 Accounting policies *(continued)*

1.13 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.

1.14 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)*

1.14 Employee benefits (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.

1.15 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)*

1.16 Revenue

Revenue is recognised from the transfer of goods at a point in time when control of the goods transfers to the customer in accordance with *IFRS 15: Revenue from Contracts with Customers*. This is considered to occur when the buyer can direct the use of the goods, 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. For revenue included within the financial statements this is the point at which the customer assumes responsibility for the goods.

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 where these are not considered to be linked to a separate performance obligation. Where a contract contains a promotional period linked to the sale of goods over time, this is treated as a separate performance obligation due to the different recognition periods.

In assessing if amounts represent a separate performance obligation the following factors have been considered:

- If the customer could separately benefit from any promotion offered to them by Froneri relating to a sale.
- If the additional goods and/or service is separately identified in the sales contract.
- Where incentives or penalties for the attainment of performance targets by customers are in place, these are considered to represent variable consideration. Such amounts are recognised at local management's best estimate of the value to be received based on the probability of the targets being met. This is reassessed at each reporting period.
- Discounts, credit notes, rebates, cash and price reductions are deducted from revenue as they do not represent distinct performance obligations. Where these are based on sales targets, revenue is recognised based on the likelihood of these targets being met, and where attainment is probable revenue is accrued for. This is reassessed at each reporting period.

1.17 Expenses

Variable lease payments

Payments made under lease arrangements which were not capitalised as part of recognition of the lease in accordance with IFRS 16 are recognised in the income statement in the period to which they relate within administrative expenses. Further detail on these payments is included in section *1.11 Leases*.

Lease payments

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.

Notes *(continued)*

1 Accounting policies *(continued)*

1.18 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.

1.19 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.

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.

1.20 Adoption of new and revised accounting standards

The following standards issued by the International Accounting Standards Board have been adopted by the Group which have impacted the financial statements in the current year:

1.20.1 IFRS 9: Financial Instruments

From 1 January 2018 the Group has applied IFRS 9 Financial Instruments (as revised in July 2014) and the related consequential amendments to other IFRS. IFRS 9 introduced new requirements for (1) the classification and measurement of financial assets and financial liabilities, (2) impairment for financial assets and (3) general hedge accounting. Details of these requirements as well as their impact on the Group's consolidated financial statements are described in note 1.5.

Notes *(continued)*

1 Accounting policies *(continued)*

1.20 Adoption of new and revised accounting standards *(continued)*

1.20.1 IFRS 9: Financial Instruments *(continued)*

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires the Group to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets.

Specifically, IFRS 9 requires the Group to recognise a loss allowance for expected credit losses on trade receivables and to measure the loss allowance at an amount equal to the lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition. On the other hand, if the credit risk on a financial instrument has not increased significantly since initial recognition the Group is required to measure the loss allowance for that financial instrument at an amount equal to 12 month expected credit loss. IFRS 9 also provides a simplified approach for measuring the loss allowance at an amount equal to lifetime expected credit losses for trade receivables which the Group have adopted in their financial statements.

During the year commencing 1 January 2018, the Group subsidiaries considered the existing financial assets and amounts due from customers for impairment using reasonable and supportable information that is available, without under cost or effort, in accordance with the requirements of IFRS 9 to determine the credit risk on trade receivables and adopted the Group policy of applying the simplified approach to recognised lifetime expected credit losses for these assets. This method generated an immaterial difference between amounts recognised under IAS 39 and under IFRS 9 for the loss allowance against receivables, as such no amount has been recognised against retained earnings upon transition, with any movements in year considered to represent unforeseen changes in circumstances during the year and applied in the statement of profit and loss. There have been no other changes to the carrying amounts of financial instruments to be reported as a result of transition.

1.20.2 IFRS 15: Revenue from Contracts with Customers

IFRS 15 Revenue from Contracts with Customers has been applied from 1 January 2018 using the modified retrospective approach. The following practical expedient has been used in applying the prescribed changes:

- For contracts completed prior to 1 January 2018, being the date of initial application, comparatives have not been restated. As the value of contracts spanning the year end is immaterial, there has been no adjustment to the value of retained earnings brought forward resulting from the adoption of IFRS15.

1.20.3 IFRS 16: Leases

IFRS 16 Leases has been applied from 1 January 2018 using the modified retrospective approach, therefore on adoption of this standard the Group has recognised lease liabilities in relation to leases which had previously been classified as ‘operating leases’ under the principles of IAS 17 Leases. These liabilities are measured at the present value of remaining lease payments, discounted using the appropriate incremental borrowing rate and amounts previously reported have not been restated. The associated right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated statement of financial position as at 31 December 2017.

The following practical expedients have been applied upon transition:

- Where leases are of low value, defined as the value of the underlying asset as new being less than €5,000, these have been expensed through the Consolidated Income Statement.
- At the commencement date, where a lease has a lease term of 12 months or less these have been accounted for as short-term leases and expensed through the Consolidated Income Statement.

Notes *(continued)*

1 Accounting policies *(continued)*

1.21 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.

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.

1.22 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:

- Application of IFRS 16 regarding discount rate estimates and judgements regarding treatment of variable payments, lease terms and purchase options. The Group policy in relation to these items has been disclosed in the accounting policies on page 35 and 41 to the consolidated financial statements which address the methods used to derive these judgements.
- Estimates for 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 9 to the consolidated financial statements.
- Estimates for 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 to the consolidated financial statements.
- 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 estimation 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 (see note 14).

Notes *(continued)*

2 Revenue

All of the Group's revenues for the year relate to the Group's primary activity: the production, distribution and sale of ice cream, frozen food and chilled dairy products and occur at a point in time. The Group manages its businesses based on geographic segments as reported to the management board.

	2018 €m	2017 €m
Revenue:		
Europe	2,096.55	2,017.44
Rest of the world	506.40	495.63
	2,602.95	**2,513.07**

	2018 €m	2017 €m
EBITDAE:		
Europe	378.55	247.78
Rest of the world	53.02	70.17
	431.57	**317.95**

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 which excludes the effect of significant items of income and expenditure which might have an impact on the quality of earnings, such as restructuring costs, legal expenses and impairments (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:

	2018 €m	2017 €m
Loss for the year	**(150.32)**	**(174.70)**
Taxation income	(5.38)	(7.40)
Loss before taxation	**(155.70)**	**(182.10)**
Net financing expense	217.36	212.43
Exceptional items (excluding exceptional impairments)	95.79	119.10
Operating profit before exceptional items	**157.45**	**149.43**
Depreciation – of owned assets	108.68	109.58
Depreciation – of leased assets	25.62	2.25
Impairment of property, plant and equipment	44.28	0.82
Amortisation – of acquired intangible assets	48.88	49.87
Amortisation – of other intangible assets (software)	6.75	3.11
Impairment of intangible assets	40.85	0.29
(Gain)/loss on disposal of fixed assets	(0.94)	2.60
EBITDAE	**431.57**	**317.95**

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:

2018	Within Cost of sales €m	Within Distribution expenses €m	Within Administrative expenses €m	TOTAL €m
Merger-related transaction costs	-	-	(2.08)	**(2.08)**
Integration and restructuring costs	23.95	3.07	104.41	**131.43**
Litigation costs	0.29	0.18	4.29	**4.76**
Other exceptional items	1.39	0.67	3.86	**5.92**
Goodwill and intangible impairments	-	-	40.74	**40.74**
	25.63	3.92	151.22	**180.77**

Notes *(continued)*

4 Exceptional items *(continued)*

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**

Merger-related transaction costs

In 2018 the Group recognised a net credit of €2.08 million (2017: €1.84 million) in respect of a release of its remaining transaction cost accrual.

Integration and restructuring costs

2018

The Group has continued to implement a number of restructuring and integration projects across the countries. Total costs of €131.43 million (2017: €118.8 million) have been incurred in the year, including €87.30 million relating to restructuring costs and €44.13 million of impairments of PPE. Significant items include the following:

- €87.90 million related to the closure of its Beauvais factory and IPD centre in France including a provision of €62.72 million for expected closure costs and €25.90 million in respect of asset impairments.
- €24.58 million related to restructuring projects a number of countries, mainly related to redundancy costs.
- €13.20 million of asset impairments in Argentina as a result of the Group's impairment testing of goodwill (see other exceptional items and goodwill impairments below).

On 14 January 2019 the Group announced the closure of its factory in Bulgaria and at 31 December 2018 the Group recognised €5.35m of asset impairments related to the planned closure.

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.

2017

In 2017 the Group recognised a total of €118.18 million of integration and restructuring costs, including closure costs related to 2 factories in Italy and Greece. The Group also incurred incurred costs of €24.50 million in Brazil related to the restructure of its sales tax arrangements.

Litigation costs

This represents one-off legal fees which have been classified as exceptional on the grounds of their magnitude or incidence. In 2018 the Group has recognised €4.28 million of costs related mainly to former employee and tax litigation in South America. In 2017 these costs mainly related to 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.

Notes *(continued)*

4 Exceptional items *(continued)*

Other exceptional items and goodwill impairments

Other exceptional costs include €40.74 million of goodwill and customer relationship impairments, following the annual impairment assessment of the Group's goodwill (see note 9). The Group has impaired €8.74 million of goodwill and customer relationships in Argentina (and allocated a further €13.2 million against PPE – see integration and restructuring costs) and €32.00 million of intangible assets in respect of Brazil. The Argentina impairment has resulted from a combination of the application of IAS 29 – Financial reporting in hyperinflationary economies and the ongoing recessionary conditions being experienced in the local economy. The impairment in respect of Brazil is a result of market conditions in Brazil which together with delays in capex investment has resulted in a more conservative approach to the assumptions used in the impairment assessment.

5 Operating profit after exceptional items

Included in the loss for the year are the following:

	2018 €m	**2017 €m**
Depreciation of property, plant and equipment:		
- Owned assets	108.68	109.58
- Right-of-use assets (2017: *finance leases*)	25.62	2.25
Impairment of property, plant and equipment and ROU assets	44.28	0.82
Amortisation of intangible assets	55.63	52.98
Impairment of intangible assets	40.85	0.29
Lease payments* (2017: *Operating lease charges*)	1.68	20.48
Research and development expensed as incurred	24.30	23.95
Net foreign exchange loss	25.26	23.31
(Gain)/ loss on disposal of fixed assets	(0.94)	2.60
Exceptional items – excluding impairments (as further described in note 4 to these financial statements)	95.79	119.10

** Lease payments relate to those items not included in the calculation of the lease liability in accordance with IFRS 16. This includes short term leases(€1.43m), low value leases and variable payments in relation to lease arrangements recognised in the Consolidated Statement of Financial Position (€0.25m).*

Notes *(continued)*

5 Operating profit after exceptional items *(continued)*

Auditors' remuneration

	2018 €m	2017 €m
Audit services		
Audit of the parent company and these financial statements	0.27	0.20
Audit of the company's subsidiaries	1.83	1.98
Other services to the company and its subsidiaries		
Taxation compliance services	0.05	0.11
Taxation advisory services	0.13	0.12
All other services	0.11	-

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 2018	Average number of employees 2017
Production	5,903	6,101
Sales, marketing and distributions	3,869	4,851
Administrative and other roles	1,744	1,813
	11,516	**12,765**

The aggregate payroll costs of these persons were as follows:

	2018 €m	2017 €m
Wages and salaries	369.99	400.14
Social security costs	73.60	79.54
Other pension costs	23.52	23.56
	467.11	**503.24**

Notes *(continued)*

6 Staff numbers and costs *(continued)*

The geographical location of employees at 31 December 2018 and 31 December 2017 is as follows:

	Number of employees 31 December 2018	Number of employees 31 December 2017
Germany	2,186	2,350
Egypt	1,658	1,630
France	1,140	954
UK	871	766
Spain	627	734
Switzerland	485	573
Brazil	400	504
Russia	417	456
Italy	449	544
Australia	421	443
Poland	557	500
South Africa	332	169
Adriatics	225	114
Finland	179	173
Philippines	173	206
Argentina	153	195
Bulgaria	155	178
Austria	85	101
Greece	77	106
Romania	14	12
	10,604	**10,708**

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

	2018 €m	2017 €m
Directors' remuneration	1.96	1.72
	1.96	**1.72**

The aggregate remuneration of the highest paid director in the period was €1.62 million (2017: €1.43 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 (2017: 3) directors participating in the Company's share scheme. Remuneration of other key management personnel is included in note 29.

Notes *(continued)*

7 Financial income and expenses

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

	2018	2017
	€m	€m
Financial income		
Net monetary gain in Hyperinflationary economies*	10.31	-
Net gain on financial instruments designated as fair value through profit or loss	1.32	1.07
Foreign exchange gain	4.75	6.25
Other interest income	2.57	0.49
Interest income on bank deposits	0.60	1.34
Total financial income	**19.55**	**9.15**
Financial expenses		
Interest expense on shareholder loan notes	117.23	109.64
Interest expense on term loans	49.30	27.91
Foreign exchange loss	30.01	29.56
Interest expense on overdrafts and other short-term borrowings	11.00	4.65
Write-off of unamortised transaction costs related to the JV Term Loans	9.93	-
Accrued dividend returns on preference shares	5.47	4.53
Interest expense on lease liabilities	5.18	1.29
Interest expense on shareholder loans	4.86	38.86
Other interest expenses	2.69	2.79
Amortisation of financing costs	0.62	1.95
Loss on derivative financial instruments	0.62	0.40
Total financial expenses	**236.91**	**221.58**
Net financing expense	**217.36**	**212.43**

* The net monetary gain of €10.31 million is as a result of applying IAS – 29 – Financial reporting in hyperinflationary economies in Argentina (see note 26).

Notes *(continued)*

8 Taxation

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

	2018	2017
	€m	€m
Current tax expense		
Current tax on losses for the year	(48.07)	(28.29)
Adjustments for prior periods	5.96	0.26
Current tax expense	**(42.11)**	**(28.03)**
Deferred tax income		
Origination and reversal of temporary differences	44.08	32.36
Adjustment for prior years	3.41	3.07
Deferred tax income	**47.49**	**35.43**
Total tax income	**5.38**	**7.40**

Income tax recognised in other comprehensive expense is as follows:

	2018	2017
	€m	€m
Deferred tax changes on re-measurements of defined benefit pension liability	(0.47)	4.41
Income tax income recognised in other comprehensive expense	**(0.47)**	**4.41**

Notes *(continued)*

8 Taxation *(continued)*

Reconciliation of effective tax rate:

	2018	2017
	€m	€m
Loss before taxation	**155.70**	**182.10**
Tax using the UK corporation tax rate of 19.00% (2017: 19.25%)	29.58	35.05
Effect of tax rates in foreign jurisdictions	8.82	12.47
Impact of change of tax rate on deferred tax	(5.25)	17.12
Non-deductible expenses and non-chargeable income	(17.54)	(34.58)
Current period losses for which no deferred tax asset was recognised	(19.60)	(25.99)
Under/over recovery in prior periods - current tax	5.96	0.26
- deferred tax	3.41	3.07
Total tax income	**5.38**	**7.40**

Current tax charge

The total current tax expense of €42.11 million (2017: €28.03 million) mainly relates to corporation tax payable by overseas entities.

Deferred tax income

The total deferred tax income of €47.49 million (2017: €35.43 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. Additionally, the property, plant and equipment impairments in the year to 31 December 2018 of €44.13 million (2017: €0.82 million) has a corresponding deferred tax impact.

The deferred tax balances within the Group have been recognised at the rate of 17% (2017: 17%) 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.

Following the creation of the Group in 2016, tax policies and procedures were introduced to further strengthen tax compliance across the Group's businesses. The Group takes steps to reduce risk on tax matters, including active engagement with tax authorities, and by working with professional tax advisers. Where areas of tax uncertainty exist in relation to transfer pricing, the OECD's work on the BEPS project has been closely reviewed to ensure transfer pricing risks are minimised. The Group will continue to examine all areas of taxation policy to ensure that all areas of tax uncertainty are identified and suitably managed.

Notes (continued)

9 Intangible assets

	Goodwill	Customer relationships	Brands and trademarks	Software	Total
	€m	€m	€m	€m	€m
Cost					
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**
Balance at 1 January 2018	1,517.05	618.79	81.40	31.45	**2,248.69**
Other additions	-	1.86	-	25.21	**27.07**
Impact of hyperinflation (note 26)	8.44	1.90	-	0.15	**10.49**
Effect of movements in foreign exchange	(34.37)	(6.38)	(3.81)	(0.52)	**(45.08)**
Balance at 31 December 2018	**1,491.12**	**616.17**	**77.59**	**56.29**	**2,241.17**
Accumulated amortisation and impairment					
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**
Balance at 1 January 2018	-	56.20	5.22	4.08	**65.50**
Amortisation for the year	-	44.90	3.98	6.75	**55.63**
Impairment charge	31.83	8.73	-	0.29	**40.85**
Impact of hyperinflation (note 26)	-	0.07	-	-	**0.07**
Effect of movements in foreign exchange	0.02	(0.63)	(0.34)	(0.09)	**(1.04)**
Balance at 31 December 2018	**31.85**	**109.27**	**8.86**	**11.03**	**161.01**
Net book value					
At 1 January 2017	1,565.53	626.80	83.44	11.77	**2,287.54**
At 31 December 2017 and 1 January 2018	1,517.05	562.59	76.18	27.37	**2,183.19**
At 31 December 2018	**1,459.27**	**506.90**	**68.73**	**45.26**	**2,080.16**

Notes (continued)

9 Intangible assets *(continued)*

Amortisation and impairment charge

The amortisation and impairment charge is recognised in administrative expenses.

The remaining average useful economic lives of the intangible assets at 31 December 2018 and 31 December 2017 were:

	2018 Years	2017 Years
Customer relationships	12.75	13.75
Brands and trademarks	17.75	18.75
Software	4.0	5.0

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.

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.

	Goodwill 2018 €m	Goodwill 2017 €m
UK	358.65	361.08
Australia	267.71	294.86
Germany	234.31	234.31
France	223.76	223.76
Switzerland	95.86	87.63
Subtotal	**1,180.29**	**1,201.64**
as % of total carrying amount	80.88%	79.2%
Other CGUs	278.98	315.41
Total	**1,459.27**	**1,517.05**

Notes *(continued)*

9 Intangible assets *(continued)*

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	Long term growth rate	Pre-tax discount rate
UK	5 years	-0.1% to 5.5%	Stable	2.0%	7.3%
Australia	5 years	-3.3% to 5.4%	Improvement	2.0%	8.4%
Germany	5 years	-5.4% to 7.8%	Improvement	2.0%	8.1%
France	5 years	0.2% to 3.6%	Improvement	2.0%	9.2%
Switzerland	5 years	-2.6% to 2.0%	Improvement	2.0%	6.8%

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 with consideration given to economic forecasts of each respective country.

For the remaining CGUs, 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.

Impairments

As described in Note 4 to these financial statements, the Group has impaired €8.74 million of goodwill and customer relationships in Argentina (and allocated a further €13.2 million against PPE) and €32.00 million of intangible assets in respect of Brazil. With regards to Brazil, a reasonable change in the assumptions used could result in a further impairment to this amount. The Argentina impairment has resulted from a combination of the application of IAS 29 – Financial reporting in hyperinflationary economies (note 26) and the ongoing recessionary conditions being experienced in the local economy. The impairment in respect of Brazil is a result of market conditions in Brazil which together with delays in capex investment has resulted in a more conservative approach to the assumptions used in the impairment assessment.

Notes *(continued)*

10 Property, plant and equipment

	Land and buildings €m	Plant and equipment €m	Under construction €m	Total €m
Cost				
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**
Balance at 1 January 2018	310.47	463.83	40.52	**814.82**
Additions	1.65	65.40	99.70	**166.75**
Movement in assets under construction	10.58	31.20	(41.78)	**-**
Impact of hyperinflation	6.59	5.11	0.08	**11.78**
Transfer to right-of-use assets	(12.73)	(7.21)	-	**(19.94)**
Reclassification	3.14	(2.88)	0.50	**0.76**
Transfer to assets held for sale	(0.84)	(0.25)	-	**(1.09)**
Disposals	(0.20)	(18.37)	0.46	**(18.11)**
Effect of movements in foreign exchange	(4.75)	(7.83)	(0.56)	**(13.14)**
Balance at 31 December 2018	**313.91**	**529.00**	**98.92**	**941.83**
Accumulated depreciation and impairment				
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**
Balance at 1 January 2018	23.06	94.27	-	**117.33**
Depreciation charge for the year	17.83	90.85	-	**108.68**
Impact of hyperinflation	1.11	3.17	-	**4.28**
Impairments	20.11	23.87	0.15	**44.13**
Transfer to right-of-use assets	(2.10)	(2.14)	-	**(4.24)**
Disposals	(0.32)	(15.89)	-	**(16.21)**
Reclassification	(1.24)	1.97	-	**0.73**
Effect of movements in foreign exchange	0.45	0.16	-	**0.61**
Balance at 31 December 2018	**58.90**	**196.26**	**0.15**	**255.31**
Net book value				
At 1 January 2017	313.71	411.25	26.25	**751.21**
At 31 December 2017 and 1 January 2018	287.41	369.56	40.52	**697.49**
At 31 December 2018	**255.01**	**332.74**	**98.77**	**686.52**

Notes *(continued)*

11 Right-of-use assets

The Group have adopted IFRS 16: *Leases* from 1 January 2018 using the modified retrospective approach. Under this approach comparatives are not restated. Therefore, there is no comparative period for the right-of-use assets.

	Land and buildings €m	Plant and equipment €m	Motor Vehicles €m	Total €m
Cost				
Balance at 1 January 2018	-	-	-	**-**
Additions	56.13	8.19	24.51	**88.83**
Transfer from property, plant and equipment	12.50	2.22	5.22	**19.94**
Lease liability adjustments	0.50	-	0.43	**0.93**
Disposals	-	-	(0.16)	**(0.16)**
Effect of movements in foreign exchange	(0.76)	(0.05)	0.09	**(0.72)**
Balance at 31 December 2018	**68.37**	**10.36**	**30.09**	**108.82**
Accumulated depreciation and impairment				
Balance at 1 January 2018	-	-	-	**-**
Depreciation charge for the year	14.43	2.32	8.87	**25.62**
Impairments	-	0.15	-	**0.15**
Transfer from property, plant and equipment	0.83	0.24	-	**1.07**
Disposals	-	-	(0.03)	**(0.03)**
Effect of movements in foreign exchange	(0.05)	(0.01)	0.02	**(0.04)**
Balance at 31 December 2018	**15.21**	**2.70**	**8.86**	**26.77**
Net book value				
At 31 December 2018	**53.16**	**7.66**	**21.23**	**82.05**

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	Zone Industrielle No2 Rue Charles TELLIER F – 60000 BEAUVAIS	T	EUR	France	100%
Froneri Dange 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	Le Labour – B.P. 13, 33870 Vayres	H	EUR	France	100%
Froneri Vayres 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	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	Via Asi Consortile 7, n.16 Cap 03013, Ferentino (Fr)	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	D	EUR	Luxembourg	100%
Froneri Malta Limited	Pantar Road, Lija, Malta	D	EUR	Malta	100%
Froneri Polska 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	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 Limited (formerly 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	D	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 Limited (formerly R&R PIK plc)	Richmond House, Leeming Bar, Northallerton, North Yorkshire, DL7 9UL	D	EUR	United Kingdom	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	D	EUR	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	D	EUR	United Kingdom	100%
Ruby Acquisitions Limited	Richmond House, Leeming Bar, Northallerton, North Yorkshire, DL7 9UL	H	GBP	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	14 Spanner Road, Clayville, Olifantsfontein, Gauteng 1665	T	ZAR	South Africa	100%
Rest of the world:					
Australasian Food Group Pty Ltd	254 Wellington Road, Mulgrave, Victoria 3170	T	AUD	Australia	100%
Mulgrave LeaseCo Pty Ltd	254 Wellington Road, Mulgrave, Victoria 3170	D	AUD	Australia	100%
New Holdco Pty Ltd	254 Wellington Road, Mulgrave, Victoria 3170	H	AUD	Australia	100%
Food MezzCo Pty Limited	254 Wellington Road, Mulgrave, Victoria 3170	H	AUD	Australia	100%
Peters Food Group Pty Limited	254 Wellington Road, Mulgrave, Victoria 3170	H	AUD	Australia	100%
Riviera (Aus) Pty Ltd	254 Wellington Road, Mulgrave, Victoria 3170	H	AUD	Australia	100%
Riviera Holdings (Aus) Pty Ltd	254 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	Estrada dos Bandeirantes 4935, Jacarepaguá, CEP 22775-113, Rio de Janeiro	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

** These UK entities were struck off in February 2019 except for Riviera Midco SA which was struck off in March 2019

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.

The Group incorporated R&R Ice Cream Ireland Limited on 25 March 2019.

13 Other financial assets

	2018	2017
	€m	€m
Non-current		
Customer advances	31.44	35.62
	31.44	**35.62**
Current		
Customer advances	6.16	9.06
Derivative financial instruments	0.03	0.87
	6.19	**9.93**

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 2018 €m	Assets 2017 €m	Liabilities 2018 €m	Liabilities 2017 €m	Net (assets) / liabilities 2018 €m	Net (assets) / liabilities 2017 €m
Property, plant and equipment	**(24.57)**	(22.92)	**53.63**	68.42	**29.06**	45.50
Other intangible assets	**(0.03)**	-	**136.51**	155.62	**136.48**	155.62
Inventories	**(0.97)**	(1.42)	**1.64**	0.19	**0.67**	(1.23)
Leased assets	**(1.89)**	(1.37)	**-**	-	**(1.89)**	(1.37)
Employee benefits	**(10.70)**	(12.67)	**-**	0.01	**(10.70)**	(12.66)
Provisions	**(21.94)**	(16.07)	**0.18**	0.02	**(21.76)**	(16.05)
Tax value of loss carry-forwards	**(20.03)**	(23.12)	**-**	-	**(20.03)**	(23.12)
Other items	**(16.34)**	(13.52)	**0.06**	13.95	**(16.28)**	0.43
Net tax (assets) / liabilities	**(96.47)**	(91.09)	**192.02**	238.21	**95.55**	147.12

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

	31 December 2017 €m	Recognised in income €m	Recognised in equity €m	Foreign exchange movement €m	31 December 2018 €m
Property, plant and equipment	45.50	(14.66)	-	(1.78)	**29.06**
Other intangible assets	155.62	(13.46)	-	(5.68)	**136.48**
Inventories	(1.23)	1.80	-	0.10	**0.67**
Leased assets	(1.37)	(0.61)	-	0.09	**(1.89)**
Employee benefits	(12.66)	2.26	(0.47)	0.17	**(10.70)**
Provisions	(16.05)	(6.49)	-	0.78	**(21.76)**
Tax value of losses carried forward	(23.12)	1.33	-	1.76	**(20.03)**
Other items	0.43	(17.66)	-	0.95	**(16.28)**
Deferred tax liabilities/(assets)	**147.12**	**(47.49)**	**(0.47)**	**(3.61)**	**95.55**

Notes *(continued)*

14 Deferred tax assets and liabilities *(continued)*

Net deferred tax liabilities of €21.11 million (2017: €32.30 million) are expected to be settled within 12 months.

IAS 12 requires Froneri to recognise deferred tax assets, subject to a "probable profits" test. Where it is probable that there will be sufficient future profits to utilise either temporary differences or carried forward tax losses, then such deferred tax assets are recognised. To assess the availability of future profits, both future forecasts and historical performance are considered. Where this "probable profits" test is not met then a deferred tax asset will not be recognised.

Analysis of unrecognised deferred tax assets

	2018 €m	2017 €m
Trading losses	57.90	48.16
Other items	19.75	10.54
	77.65	**58.70**

15 Inventories

	2018 €m	2017 €m
Raw materials and consumables	90.99	58.21
Work in progress	2.14	2.38
Finished goods	189.92	180.64
	283.05	**241.23**

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 €1,014.96 million (2017: €1,285.60 million). The accumulated write-down of inventories to net realisable value amounted to €21.97 million (2017: €24.31 million) as at the year end.

16 Trade and other receivables

	2018 €m	2017 €m
Trade receivables due from third parties	322.94	284.24
Trade receivables due from related parties	1.52	6.11
Prepayments and other receivables	79.72	77.90
	404.18	**368.25**

There are no balances included within trade and other receivables that are expected to be recovered in more than 12 months. See note 24 (c) for more details.

Included within trade and other receivables are provisions for doubtful debts of €27.15 million (2017: €21.05 million).

Notes *(continued)*

17 Cash and cash equivalents

	2018 €m	2017 €m
Cash and cash equivalents per consolidated statement of financial position	321.86	228.72
Bank overdrafts	(44.66)	(86.38)
Cash and cash equivalents per cash flow statement	**277.20**	**142.34**

'Cash and cash equivalents' comprise cash balances, overdrafts and call deposits. Restricted cash comprises money that is primarily reserved for a specific purpose and therefore not available for immediate or general business use.

Froneri had cash and cash equivalents of €277.20 million at December 31, 2018, of which €4.62 million was restricted. This compares with cash and cash equivalents of €142.34 million at December 31, 2017 of which €24.88 million was restricted.

18 Assets 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.

	2018 €m	2017 €m
Assets classified as held for sale:		
Property, plant and equipment	**3.63**	**3.16**

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

	2018 €m	2017 €m
At 1 January	3.16	3.35
Transfers from Plant, Property and Equipment	1.09	-
Disposed	(0.62)	(0.21)
Adjustment to carrying value	-	0.02
At 31 December	**3.63**	**3.16**

Notes *(continued)*

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.

	2018 €m	2017 €m
Non-current liabilities		
Term bank loans	1,575.32	794.10
Less: unamortised transaction costs	(4.60)	(9.93)
	1,570.72	784.17
Other external bank debt	52.50	-
Nestlé shareholder loans	-	813.03
Shareholder loan notes	1,097.31	979.77
Lease liabilities	67.11	14.77
Preference share capital	49.27	43.75
Other financial liabilities	0.03	1.89
	2,836.94	**2,637.38**

	2018 €m	2017 €m
Current liabilities		
Bank overdrafts	44.66	86.38
Other external debt	54.52	-
Current portion of lease liabilities	19.71	0.65
Factored borrowings	4.65	2.18
Accrued interest on term bank loans	5.47	0.07
Other accrued interest	2.19	-
Accrued interest on Nestlé shareholder loans	-	10.10
	131.20	**99.38**
Total financial liabilities	**2,968.14**	**2,736.76**
Add back: unamortised transaction costs	4.60	9.93
	2,972.74	**2,746.69**

Term bank loans are presented net of transaction costs of €4.60 million (2017: €9.93 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.

Notes *(continued)*

19 Financial liabilities *(continued)*

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 has charged to the Consolidated Income Statement the unamortised transaction costs of €9.93 million and incurred transaction costs on the refinancing of €5.15 million which is being amortised over the term of the loans.

On 19 December 2018 the Group repaid its BRL Nestlé Shareholder loan of €17.96 million.

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.

For the majority of borrowings, the fair values are not materially different from their carrying amounts, since the interest payable in those borrowings is either close to market rates or the borrowings are of a short-term nature.

Terms and debt repayment schedule:

	Fair Value		Carrying Value	
	2018	**2017**	**2018**	**2017**
	€m	**€m**	**€m**	**€m**
Term Bank Loans (a)	1,560.39	794.10	1,575.32	794.10
Other External Debt	107.02	-	107.02	-
Shareholder loan notes	1,097.31	979.77	1,097.31	979.77
Preference Shares	49.27	43.75	49.27	43.75
Lease Liabilities	86.82	15.42	86.82	15.42
Nestlé shareholder loans	-	813.03	-	813.03
	2,900.81	**2,646.07**	**2,915.74**	**2,646.07**

(a) Borrowings exclude 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.

Notes *(continued)*

19 Financial liabilities *(continued)*

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 loan notes 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:

	2018 €m	2017 €m
Non-current financial liabilities		
Term bank loans (net of transaction costs)	1,570.72	784.17
Other external debt	52.50	-
Lease liabilities	67.11	14.77
Other financial liabilities	0.03	1.89
	1,690.36	**800.83**
Current liabilities		
Bank overdrafts	44.66	86.38
Factored borrowings	4.65	2.18
Accrued interest on term bank loans	5.47	0.07
Other external debt	54.52	-
Current portion of lease liabilities	19.71	0.65
Other accrued interest	2.19	-
	131.20	**89.28**
Cash and cash equivalents	**321.86**	**228.72**
Net borrowings from third parties	**1,499.70**	**661.39**

Notes *(continued)*

19 Financial liabilities *(continued)*

Lease Liabilities

The Group have early adopted IFRS 16: *Leases* from 1 January 2018 using the modified retrospective approach whereby comparatives are not restated. The below tables therefore show 2017 finance leases measured in accordance with IAS 17 which are not directly comparable with the 2018 figures which have been prepared in accordance with IFRS 16.

In 2017 the Group had finance lease liabilities, largely in relation to plant and equipment and in respect of the main Australian property. During 2017 €20.48 million was recognised as an expense in the income statement in respect of operating leases. In 2018 the lease liability now includes, in addition to former finance leases, all former operating leases which relate to a combination of land, buildings, vehicles (mainly delivery vehicles) and freezer solutions. Future minimum payments due under lease arrangements are as follows:

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

	2018 €m	2017 €m
Less than one year	19.71	0.65
Between one and five years	38.60	2.32
More than five years	28.51	12.45
	86.82	**15.42**

The Group does not face a significant liquidity risk with regard to its lease liabilities. Lease liabilities are monitored within the Group's treasury function.

20 Trade and other payables

	2018 €m	2017 €m
Current		
Trade payables due to related parties (note 29)	53.83	57.34
Trade payables due to third parties	273.97	228.11
Other payables, accrued expenses and deferred income	317.87	270.86
	645.67	**556.31**

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 €369.99 million (2017: €400.14 million) and welfare expenses (comprising social security and pensions costs) of €97.11 million (2017: €103.10 million) represent a total of €467.11 million (2017: €503.24 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 (see note 23). 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 determined as the share proceeds received as a result of an exit event (e.g. Sale of the group) and after the subscription value and a return of 12% has been paid to the holders of the ordinary and preference share capital. The return is calculated based on an equity value hurdle and a ratchet mechanism, which produces a calculation percentage depending on whether a target return is achieved.

At 1 January 2018 43,416 shares were allocated to individuals in the scheme. In 2018 22,888 (2017: 20,028) D shares were issued to individuals at a value of €10.00 per share and 6,174 shares were bought back from leavers. At 31 December 2018 there were 60,130 shares in total allocated to individuals in the scheme.

The fair value of the shares subscribed to was calculated using the Monte Carlo model. The majority of the shares subscribed were in two tranches and it was assumed that they would have an expected term of 2.8 and 2.6 years respectively, which is the Group's best estimate of the timing of an exit event. As a non-listed entity the Group has used the historic volatility of a listed comparator group over the expected term of the award, with adjustment to derive a volatility assumption of 25% (2017: 25%). The model assumes that the dividend yield is zero and a risk free rate has been used based on the returns on zero coupon German government debt with redemption rates commensurate to the expected term of the award.

The resultant aggregate fair value of €2.05million (2017: €1.14 million) is being charged to the income statement over an average term of 3.10 years (2017: 3.47 years). A charge of €0.61 million (2017: €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 2018 amounted to €54.53 million (2017: €60.01 million), including €50.06 million (2017: €55.92 million) in respect of defined benefit pension plans. No net employee benefit assets were recognised in the financial statements as at 31 December 2018 and 31 December 2017.

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 2018 the Group's plans in respect of Switzerland represent 57% (2016: 45%) of the total net defined benefit obligations. 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 2018 and 2017) 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

The Group has funded defined benefit plans in 4 of its territories. The total excess of liabilities over funded obligations at 31 December 2018 amounted to €36.25 million (2017: €37.30 million).

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. At 31 December 2018 the Switzerland plan represents 67.04% (2017: 70.19%) and 71.40% (2017: 70.76%) of the Group's total funded plan assets and obligations.

Unfunded obligations

The Group has unfunded defined benefit pension plans in 10 of its territories. The total unfunded obligations at 31 December 2018 amounted to €17.90 million (2017: €22.51 million). These obligations are mainly in respect of defined benefit pension plan arrangements in France and Italy, representing 51.0% of the total unfunded obligations (2017: 66.5%).

Pension expense in the profit and loss account

	2018 €m	2017 €m
Defined benefit expenses	10.52	11.31
Defined contribution expense	13.00	12.25
	23.52	**23.56**

Notes *(continued)*

21 Employee Benefits *(continued)*

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

	2018 €m	2017 €m
Present value of funded obligations	155.01	161.30
Fair value of plan assets	(118.76)	(124.00)
Excess of liabilities over funded obligations	**36.25**	**37.30**
Other		
Unfunded obligations	17.90	22.51
Unrecognised assets and minimum funding requirements	0.38	0.20
Total defined benefit liability	**54.53**	**60.01**

Movement in present value of defined benefit plan obligations

	Post-employment medical and other benefits €m	Defined benefit retirement plans €m	Total €m
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**
Balance at 1 January 2018	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**
Currency retranslations	(0.43)	3.88	**3.45**
Service cost	0.12	10.40	**10.52**
Interest cost	0.42	1.92	**2.34**
Actuarial gains	1.50	(8.37)	**(6.87)**
Benefits paid on funded defined benefit plans	(0.01)	(3.24)	**(3.25)**
Benefits paid on unfunded defined benefit plans	(0.05)	(1.92)	**(1.97)**
Liabilities extinguished on settlements	-	(7.66)	**(7.66)**
Reclassifications	-	(5.97)	**(5.97)**
Other movement	(1.35)	(0.13)	**(1.48)**
Balance at 31 December 2018	4.29	168.63	**172.92**
- of which funded defined benefit plans	0.60	154.42	**155.02**
- of which unfunded defined benefit plans	3.69	14.21	**17.90**

Notes *(continued)*

21 Employee Benefits *(continued)*

Movement in fair value of defined benefit plan assets

	Defined benefit retirement plans €m
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**
Balance at 1 January 2018	**124.00**
Currency retranslations	**2.82**
Interest income	**1.35**
Actual return on plan assets excluding interest income	**(6.49)**
Employee contributions	**4.82**
Employer contributions	**5.21**
Benefits paid on funded defined benefit plans	**(5.44)**
Assets distributed on settlements	**(7.66)**
Other	**0.15**
Balance at 31 December 2018	**118.76**

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:

	2018 %	2017 %
Cash and cash equivalents	**3.3**	2.2
Equity instruments	**26.9**	27.0
Debt instruments of which government bonds	**36.1**	33.9
Real estate	**13.5**	18.2
Hedge funds	**5.7**	7.9
Private equity	**2.0**	1.8
Alternative investments	**12.5**	9.0
	100.0	100.0

Equity, government debts and commodities represent 63.0% (2017: 60.9%) 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 33.7% (2017: 36.9%) 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 €6.75 million to its funded defined benefit plans in 2019.

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 2017 and 2018):

	2018	2017
Discount rate at 31 December	**1.7%**	1.3%
Future salary increases	**1.1%**	1.6%
Future price inflation increases	**1.0%**	0.9%

In respect to the Group's pension plan in Switzerland, the principal actuarial assumptions at 31 December 2018 were: discount rate of 1.0% (2017: 0.75%); future salary increases of 1.0% (2017: 1.5%); and future price inflation of 1.0% (2017: 0.75%).

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: 21 years (2017: 17 years) (male), 24 years (2017: 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:

	2018 €m	2017 €m
Discount rate minus 50 basis points	**(12.9)**	(9.8)
Discount rate plus 50 basis points	**11.2**	8.5
Future salary increases minus 50 basis points	**2.2**	2.6
Future salary increases plus 50 basis points	**(2.7)**	(2.8)
Mortality rate less one year	**2.9**	1.7
Mortality rate plus one year	**(2.9)**	(1.7)

In valuing the defined benefit liabilities of the pension funds at €172.92 million (2017: €183.81 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 2018 would have increased by €2.9 million (2017: €1.7 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 2018 and 31 December 2017 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 (2017: 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 €13.00 million (2017: €12.25 million).

Notes *(continued)*

22 Provisions

	Integration and restructuring provisions €m	Employee benefits provisions €m	Litigation provisions €m	Total €m
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**
Balance at 1 January 2018	47.39	5.47	9.37	**62.23**
Provisions made during the year	76.27	0.88	7.38	**84.53**
Provisions used during the year	(39.61)	(0.19)	(2.19)	**(41.99)**
Foreign currency adjustment	(0.23)	(0.23)	(0.58)	**(1.04)**
Balance at 31 December 2018	**83.82**	**5.93**	**13.98**	**103.73**
Non-current	42.07	0.53	5.50	**48.10**
Current	41.75	5.40	8.48	**55.63**
Balance at 31 December 2018	**83.82**	**5.93**	**13.98**	**103.73**

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. Provisions made during the year primarily relate to the closure of the Beauvais site in France (€62.71m) which was announced at the end of 2018 and represent managements best estimate of the remaining liability relating to redundancies and other factory decommissioning and closure costs. Provisions utilised during the year mainly relate to a reorganisation of operations in Germany (€16.45m), for which there was €14.4 million remaining in provisions at the year end.

Employee benefits provisions

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

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.

Notes *(continued)*

22 Provisions *(continued)*

Employee benefits provisions (continued)

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 Share Capital and Reserves

Share capital

	Called up share capital €m	Merger reserve €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**
- 52,983 C shares of €0.01 each; issued for €506.08 each	0.00	-	27.01	**27.01**
- 92,650 D Shares of €0.01 each, issued for €10.00 each	0.001	-	0.93	**0.93**
- 117,263 deferred shares of €0.01 each, issued for €0.01 each	0.00	-	0.00	**0.00**
On issue at 31 December 2018, full paid	**0.01**	**295.36**	**323.30**	**618.67**

Notes *(continued)*

23 Share Capital and Reserves *(continued)*

	Called up share capital €m	Merger reserve €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**	**295.36**	**322.79**	**618.16**

The tables above does not cast due to rounding.

The table as at 31 December 2017 has been restated to reallocate part of the share premium reserve to a merger reserve (see note 31).

	2018 €m	Restated 2017 €m
Allotted, called up and fully paid shares:		
- Share capital and premium, of various classes, of €0.01 each	323.31	322.80
- Merger reserve, of various classes, of €0.01 each	295.36	295.36
- Cumulative redeemable preference shares of €0.01, issued for €1.00 each	38.22	38.11
	656.89	**656.27**
Share capital and premium classified as liabilities (being preference shares)	38.22	38.11
Share capital and premium classified in shareholders' funds	618.67	618.16
	656.89	**656.27**

During the year 0.21 million preference shares were issued (2017: 1.47 million (at €1.00 each)) each at €1.00 and €0.11 million preference shares were bought back (at €1.00 each) and converted into Deferred shares (2017: nil).

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.

Notes *(continued)*

23 Share Capital and Reserves *(continued)*

Ordinary shares *(continued)*

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.
- 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.

Notes *(continued)*

23 Share Capital and Reserves *(continued)*

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 2018, ordinary and preference shares were issued as set out below.

	2018 Total €m	2017 Total €m
298 (2017: 2,043) C Shares of €0.01 each, issued for €506.08 each	0.15	1.03
23,919 (2017: 20,028) D Shares of €0.01 each, issued for €10.00 each	0.24	0.20
106,369 (2017: 10,894) Deferred shares of €0.01 each, issued for €0.01 each	0.18	0.00
214,858 (2017: 1,472,217 Preference shares, issued for €1.00 each	0.21	1.47
	0.78	**2.70**

During the year ended 31 December 2018 146 C shares (2017: nil) and 106 Preference shares were bought back and cancelled. As a result of the cancellation 106 Deferred shares were issued.

Other comprehensive income/(expense) for the period

	Currency translation reserve Year ended 31 December 2018 €m	Accumulated losses Year ended 31 December 2018 €m	Total other comprehensive expense Year ended 31 December 2018 €m
Other comprehensive (expense)/income			
Foreign exchange translation differences – foreign operations	(47.51)	-	**(47.51)**
Net loss on hedge of net investment in foreign operations	10.73	-	**10.73**
Re-measurements of defined benefit liability/asset	-	0.38	**0.38**
Income tax on other comprehensive income	-	0.47	**0.47**
Total other comprehensive (expense)/income	**(36.78)**	**0.85**	**(35.93)**

Notes *(continued)*

23 Share Capital and Reserves *(continued)*

	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)**

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.

Notes *(continued)*

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

Credit risk arises on cash and cash equivalents and derivative financial instruments with banks and financial institutions, as well as on credit exposures to customers. See Note 24(c) for analysis of the trade receivables balance.

The Company limits counterparty exposures by monitoring each counterparty carefully and where possible, setting credit limits by reference to published ratings. The Company limits its exposure to individual financial institutions by spreading forward foreign exchange contracts and surplus cash deposits between several institutions.

The credit quality of customers is assessed taking into account their financial position, past experience and other factors. Credit limits are set for customers and regularly monitored. The Company aims to ensure that the maximum exposure to one financial institution does not exceed €150.0 million.

Interest rate risk

The Company has significant levels of floating rate borrowings and is therefore exposed to the impact of interest rate fluctuations.

The Company's policy on interest rate risk is designed to limit the Company's exposure to fluctuating interest rates. At present a zero floor is applied to the Company's €1,200 million term loan and euro interest rates are negative. The Company is able to select an interest period of up to 6 months on its euro term loan without incurring any increase in the interest rate.

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$), Swiss Franc (CHF) and Brazilian Real (R$). There are 13 functional currencies within the Group, other than the Euro.

At 31 December 2018 the key risk is the Group's borrowings in foreign currency are the A$221.265 million (2017: A$221.265 million) tranche of the Group's senior term bank loan facilities and the GBP 215.000 million (2017: GBP 215.458 million) tranche of the Group's senior term bank loan facilities and R$ 442.00 million of loans. These loans are held in the statement of financial position of Froneri International Limited, which has a 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.

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 2018 there were 46 such contracts (2017: 31 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 2018 was a liability of €0.09 million (2017: liability of €0.78 million).

Notes *(continued)*

24 Financial Instruments *(continued)*

24 (a) General (continued)

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 2018, it had 16 such swaps outstanding (2017: five) and the fair value of those swaps was a net financial asset of €1.05 million (2017: €0.09 million).

Liquidity Risk

The Company is exposed to the risk that it is unable to meet its commitments as they fall due. The Company has financial conditions imposed by its lenders which it must achieve in order to maintain its current level of borrowings. A single net debt covenant is carried out quarterly and at the end of each financial year. There have been no breaches of the covenants throughout the year.

The Company ensures that it has sufficient cash and available funding through regular cash flow and covenant forecasting. In addition, the Company has access to a revolving credit facility of €220m, expiring in January 2024. This is available to finance working capital requirements and for general corporate purposes. Currently €0.10 million is utilized for letters of credit, overdrafts, customer bonds and bank guarantees.

Capital management

One of the Group's objectives is to safeguard its ability to continue as a going concern in order to prove returns to shareholders and benefits to other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Group manages its capital structure and makes appropriate decisions in light of the current economic conditions and strategic objectives of the Group.

The Group's capital comprises equity and long-term debt. The equity comprises fully paid up ordinary shares. The long-term debt predominantly comprises, the senior term loan facilities, shareholder loan notes, preference shares and finance leases. Intra-year funding requirements are managed through cash, revolving credit facilities and factoring facilities. At 31 December 2018 the Group had €219.9 million (2017: €206.00 million) of undrawn revolving credit facilities and €60.9 million (2017: €48.60 million) of undrawn 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 A$ and GBP tranches of the term loans allow 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 2018.

Notes *(continued)*

24 Financial Instruments *(continued)*

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 closest 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 2018 the Group recognized net financial assets related to currency swaps of €1.05m (2017: €0.87 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 2018 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:

	2018 €m	2017 €m
Europe	207.18	251.87
Rest of the world	197.00	116.38
	404.18	**368.25**

Credit quality of financial assets and impairment losses

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

	2018 €m	2017 €m
Not past due	299.74	315.41
Past due 0-30 days	40.01	27.94
Past due 31-60 days	12.56	7.54
Past due 61-120 days	9.37	(0.19)
More than 120 days	42.50	17.55
	404.18	**368.25**

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

	2018 €m	2017 €m
Balance at 1 January	21.05	18.78
Impairment loss recognised	6.10	7.05
Impairment allowance utilised	0.5	(4.58)
Foreign exchange movement	(0.5)	(0.20)
Balance at 31 December	**27.15**	**21.05**

Notes *(continued)*

24 Financial Instruments *(continued)*

24 (c) Credit risk (continued)

A loss allowance account for trade receivables is used to estimate and record impairment losses which is considered to represent management's best estimate of the value of receivables recoverable over the life of the asset.

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 €3.62 million (2017: €4.70 million) against total balances of €37.60 million (2017: €44.60 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:

2018

	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 loans	**1,570.72**					
Add back: Transaction costs	**4.60**					
	1,575.32	**1,575.32**	-	-	-	1,575.32
Term loans – interest accrued	**5.47**	**297.68**	48.88	49.01	146.63	53.16
Shareholder loan notes	**1,097.31**	**1,991.70**	-	-	-	1,991.70
Preference shares classed as debt	**49.27**	**89.44**	-	-	-	89.44
Lease liabilities	**86.82**	**86.82**	19.71	19.71	47.40	-
Other external loans	**107.02**	**120.37**	56.45	53.20	10.72	-
Bank overdrafts	**44.66**	**44.66**	44.66	-	-	-
Factored borrowings	**4.65**	**4.65**	4.65	-	-	-
Trade payables, other payables and amounts due to related parties	**645.67**	**645.67**	645.67	-	-	-
	3,616.19	**4,856.31**	820.02	121.92	204.75	3,709.62

*Contractual cash flows represent undiscounted amounts

Notes *(continued)*

24 Financial Instruments *(continued)*

24 (d) Liquidity risk (continued)

	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

Transaction costs of €5.51 million were incurred on the refinancing of the Nestlé Shareholder loan and 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 2018, the unamortised element amounted to €4.60 million (2017: €9.93 million). The unamortised cost at 31 December 2017 of €9.93 million was expensed in 2018, as a result of the refinancing on 31 January 2018. Shareholder loans are payable at the latest, in 2026. In the tables above these are considered paid at the same time as Term Loan B matures in September 2025.

25 (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

In managing market risks, the Company aims to minimize the impact of short-term fluctuations on the Company's earnings. Over the longer term, however, permanent changes in foreign exchange rates and interest rates will have an impact on consolidated earnings.

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

Notes *(continued)*

24 Financial Instruments *(continued)*

24 (e) Market risk (continued)

Market risk - foreign currency risk (continued)

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$), Swiss Francs (CHF), South African Rand (ZAR), and Brazilian Reals ($R).

31 December 2018

	GBP €m	CHF €m	AUS $ €m	BRL €m	ZAR €m	Other €m	Total €m
Cash and cash equivalents	0.00	10.43	23.06	28.82	9.14	25.22	**96.67**
Trade receivables and other receivables	69.12	74.45	71.30	65.85	14.10	32.71	**327.53**
Secured bank loans	(239.23)	-	(136.09)	(102.96)	-	-	**(478.28)**
Bank overdrafts	-	-	-	-	-	-	**-**
Trade payables and other payables	(11.47)	(23.04)	(25.52)	(34.28)	(5.70)	(23.99)	**(124.00)**
Consolidated statement of financial position exposure	**(181.58)**	**61.84**	**(67.25)**	**(42.57)**	**17.54**	**33.94**	**(178.08)**

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)**

Sensitivity analysis

A 10 percent weakening of the following currencies against the Euro at 31 December 2018 would have increased/(decreased) equity and profit or loss by the amounts shown below. This calculation assumes that the change occurred at 31 December 2018 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 2018 €m	Equity 2017 €m	Profit or loss 2018 €m	Profit or loss 2017 €m
GBP	**27.99**	(1.11)	**3.57**	(3.69)
AUS $	**29.75**	(0.31)	**2.17**	(2.31)
CHF	**5.47**	(3.29)	**2.37**	(1.02)
EGYP £	**5.58**	(3.33)	**0.00**	1.51
Other	**10.54**	(8.96)	**(5.51)**	7.67

Notes *(continued)*

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 2018 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

The Company has significant levels of floating rate borrowings and is therefore exposed to the impact of interest rate fluctuations.

If interest rates were greater than 1%, it is estimated that on an annualized 2018 basis, an increase or decrease of one percentage point in the interest rate charge on borrowings (excluding leases) would correspondingly decrease or increase the Company's loss before tax by approximately €17.36 million.

25 Notes to the cash flow statement

Reconciliation of cash and cash equivalents to net borrowings:

	Year ended 31 December 2018 €m	Year ended 31 December 2017 €m
Net inflow/ (outflow) of cash and cash equivalents (note (a))	133.60	(242.82)
Increase in preference shares	(0.05)	(1.47)
(Increase)/decrease in leases	(17.23)	0.61
(Increase)/decrease in borrowings	(95.46)	84.71
Other non-cash movements	(170.78)	(115.29)
FX movements	14.50	20.37
Increase in borrowings net of cash	**(135.42)**	**(253.89)**
Total net borrowings at start of year (excluding transaction costs)	(2,507.80)	(2,253.91)
Total net borrowings at 31 December (excluding transaction costs)	**(2,643.22)**	**(2,507.80)**

Notes *(continued)*

25 Notes to the cash flow statement *(continued)*

Analysis of movement in borrowings

	As at 1 January 2018 €m	Cash flows €m	FX movements (b) €m	Other non-cash movements (c) €m	As at 31 December 2018 €m
Bank overdrafts	**(86.38)**	29.59	12.13	-	**(44.66)**
Cash and bank deposits	**228.72**	104.01	(10.87)	-	**321.86**
Net cash and cash equivalents	**142.34**	**133.60**	**1.26**	**-**	**277.20**
Nestlé shareholder loans	**(813.03)**	812.65	0.38	-	**-**
Shareholder loan notes	**(979.77)**	-	-	(117.53)	**(1,097.30)**
Term loans	**(794.10)**	(795.59)	14.37	-	**(1,575.32)**
Preference shares classified as liabilities	**(43.75)**	(0.05)	-	(5.47)	**(49.27)**
Factored borrowings	**(2.18)**	(2.47)	-	-	**(4.65)**
Lease liabilities	**(15.42)**	(17.23)	(2.46)	(51.72)	**(86.83)**
Other borrowings	**(1.89)**	(110.05)	0.95	3.94	**(107.05)**
Total net borrowings excluding transaction costs	**(2,507.80)**	**20.86**	**14.50**	**(170.78)**	**(2,643.22)**

(a) Borrowings exclude derivative finance instruments

(b) FX movements relate to the Australian Dollar tranche of the Term Loan 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, accrued dividends in respect of the preference shares. And the initial recognition of lease liabilities under IFRS 16

Total net borrowings made up of external net borrowings excluding interest of €1,492.04 million (€1496.65 million gross of unamortised transaction costs) and related party borrowings of €1,146.58 million (shareholder loan notes and preference shares) per Financial Liabilities note 20. Offsetting the Term loan B value at 31 December 2018 in the consolidated statement of financial position is €4.60 million of unamortised transaction costs.

26 Effects of hyperinflation

The Group considers that Argentina became a hyperinflationary economy on 1 July 2018, when the cumulative three-year increase in the Consumer Price Index exceeded 100%. Consequentially, the Group has applied IAS 29 *Financial Reporting in Hyperinflationary Economies* to its Argentinian subsidiary from 1 January 2018. This has resulted in a reduction of the 12-month sales by €1.3m, and a non-monetary gain of €10.31 million due to hyper-inflating the underlying values to their current purchasing power which was recognised in other finance income. An initial impact of €12.09 million due to the restatement of non-monetary assets and liabilities with the price index at the beginning of the period was recorded in equity.

Notes *(continued)*

27 Capital commitments

At 31 December 2018, the Group has entered into contractual commitments to purchase property, plant and equipment for €7.45 million (2017: €5.32 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 €nil million (2017: €813.03 million) Nestlé shareholder loans (see Note 19). 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 2018 €m	**Year ending 31 December 2017 €m**
Transitional services arrangements	15.65	35.81
Licence fees	74.06	76.92
Purchase of raw materials and other inputs	39.58	19.52
Other transactions	2.04	3.57
Income from logistics services	(11.28)	(12.66)
Ice cream sales to Nestlé	(10.73)	(10.62)
	109.32	**112.54**

In the consolidated statement of financial position at 31 December 2018, trade and other receivables include amounts due from Nestlé SA group of €1.52 million (2017: €6.11 million), trade and other payables include amounts due to Nestlé SA group of €53.83 million (2017: €57.34 million). In 2017 the Group paid Nestlé €13.30 million to settle dividends accrued at 30 September 2016 in respect of it's German businesses. All transactions with related parties during the normal course of business are at arm's length.

In the year ended 31 December 2018 the Group repaid the Nestlé shareholder loans of €813.03 million and related accrued interest (see note 25). In the consolidated statement of financial position at 31 December 2018, financial liabilities include amounts due to Nestlé SA group of €nil (2017: €813.03 million) in respect of Nestlé shareholder loans and €nil (2017: €10.10 million) in respect of accrued but unpaid interest on the Nestlé shareholder loans. In addition, at 31 December 2018, €548.65 million (2017: €490.00 million) of the shareholder loan notes are payable to Nestlé SA and its subsidiaries and affiliates. In the year ended 31 December 2018 €nil (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 2018, €548.65 million (2017: €490.00 million) of the shareholder loan notes are payable to PAI Partners (or funds managed by PAI Partners). In the year ended 31 December 2018 €nil (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 2018 and 31 December 2017, 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 was as follows:

	Year ended 31 December 2018 €m	Year ended 31 December 2017 €m
Remuneration	4.46	3.07
Contributions to defined contribution pension schemes	0.30	0.12
	4.76	**3.19**

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 Group has restated its share premium reserve as at 31 December 2017 (and as at 31 December 2016) to allocate the share premium arising on the Froneri merger transaction between share premium and a merger reserve. The restatement has had the following impact:

	Share premium	
	31 December 2017	**31 December 2016**
	€m	**€m**
Share premium reserve as reported at 31 December	618.15	616.92
Reallocation to merger reserve	(295.36)	(295.36)
Share premium reserve – as restated	**322.79**	**321.56**

	Merger reserve	
	31 December 2017	**31 December 2016**
	€m	**€m**
Merger reserve as reported at 31 December	-	-
Reallocation to merger reserve	295.36	295.36
Merger reserve – as restated	**295.36**	**295.36**

The merger reserve has been created due to the application of Merger Relief under Companies Act 2016, to the share for share exchange arising on Nestlé entities contributed to Froneri Limited in return for the issue of shares in Froneri Limited.

The Group has not included a consolidated statement of financial position as at 31 December 2016 because although there has been a representation of reserves, there has been no change to net assets or profit in 2016 and 2017.

Froneri Limited

Company only financial statements

31 December 2018

Company registered number: 10136349

Independent auditors' report to the members of Froneri Limited

Report on the audit of the financial statements

Opinion

In our opinion, Froneri Limited's parent company financial statements (the "financial statements"):

- give a true and fair view of the state of the parent company's affairs as at 31 December 2018;
- 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
- 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 company statement of financial position as at 31 December 2018; the company statement 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

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 parent 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.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the parent company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the parent company's trade, customers, suppliers and the wider economy.

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

Reporting on other information

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

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

With respect to the 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 2018 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 parent company and its 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 20, 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 parent 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 parent 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.

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

Responsibilities for the financial statements and the audit (continued)

Use of this report

This report, including the opinions, has been prepared for and only for the parent 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.

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 parent 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 financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Other matter

We have reported separately on the group financial statements of Froneri Limited for the year ended 31 December 2018.

Ian Morrison (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Leeds
30 April 2019

Company Statement of Financial Position

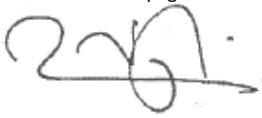
at 31 December 2018

	Note	2018 €m	2018 €m	As restated (note (a)) 2017 €m	2017 €m
Fixed assets					
Investments	2		**1,391.51**		**1,346.59**
Current assets					
Trade and other receivables (including €392.68 million (2017: €1,061.55 million)) due after more than one year)	3	**515.46**		**1,078.04**	
Cash and cash equivalents		**1.20**		**4.57**	
		516.66		**1,082.61**	
Creditors: amounts falling due within one year	4,6	**90.23**		**132.51**	
Net current assets			**426.43**		**950.10**
Total assets less current liabilities			**1,817.94**		**2,296.69**
Creditors: amounts falling due after more than one year	5,6		**1,449.27**		**1,815.98**
Net assets			**368.67**		**480.71**
Capital and reserves					
Called up share capital	7		**0.01**		**0.01**
Share premium account**	7		**323.30**		**322.79**
Merger reserve**	7		**295.36**		**295.36**
Profit and loss account			**(250.00)**		**(137.45)**
At 1 January 2018			(137.45)		(29.85)
Loss for the year			(113.16)		(107.75)
Share based payment			0.61		0.15
Total Shareholders' funds			**368.67**		**480.71**

Note (a) The Share premium account has been restated at 31 December 2017 to reallocate €295.36 million to a merger reserve (see note 7)

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.

The financial statements on pages 96 to 107 were approved by the Board of Directors on 30 April 2019 and signed on its behalf by:



Ibrahim Najafi
Director
Company registered number: 10136349

Company Statement of Changes in Equity

for the year ended 31 December 2018

	Called up share capital €m	Merger Reserve €m	Share Premium account €m	Accumulated losses €m	Total Shareholders' funds €m
Balance at 1 January 2017 – as restated (note 7)	0.01	295.36	321.56	(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 – as restated (note 7)	**0.01**	**295.36**	**322.79**	**(137.45)**	**480.71**
Balance at 1 January 2018 – as restated (note 7)	**0.01**	**295.36**	**322.79**	**(137.45)**	**480.71**
Total comprehensive expense for the year					
Loss for the year	-		-	(113.16)	**(113.16)**
Total comprehensive expense for the year	**-**	-	**-**	**(113.16)**	**(113.16)**
Transactions with owners recorded directly in equity		-			
Issue of shares	-		**0.51**	-	**0.51**
Share based payment	-	-	-	0.61	**0.61**
Total contributions by and distributions to owners	**-**		**0.51**	**0.61**	**1.12**
Balance at 31 December 2018	**0.01**	**295.36**	**323.30**	**(250.00)**	**368.67**

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.

The Company has restated its share premium account as at 31 December 2017 (and as at 31 December 2016) to allocate the share premium arising on the Froneri merger transaction between share premium and a merger reserve. The restatement is set out in note 31 to the consolidated financial statements. The Company has not included a consolidated statement of financial position as at 31 December 2016 because although there has been a representation of reserves, there has been no change to net assets or profit in 2016 and 2017.

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 €368.67 million (2017: €480.71 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	
At 1 January 2017	1,372.29
Adjustment (see below)	(25.70)
At 31 December 2017	**1,346.59**
At 1 January 2018	1,346.59
Additions	207.70
At 31 December 2018	**1,554.29**
Impairments	
At 1 January and 31 December 2017	-
At 1 January 2018	-
Impairment	(162.78)
At 31 December 2018	**(162.78)**
Net Book Value	
At 31 December 2017	**1,346.59**
At 31 December 2018	**1,391.51**

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

In 2018 the Company started a group simplification project to reduce the number of intermediate holding companies and other dormant entities in its UK group. Excluding the impairment described below, the net impact of the exercise was to increase the value of investments held directly by Froneri Limited in these intermediate holding companies by €207.70 million. As part of this the Company now owns directly the Group's investment in Froneri International Limited and has made dormant a number of UK holding companies (see note 12). The exercise resulted in the impairment of its investment in Riviera Topco Limited of €162.78 million to reduce its investment to the value of the net assets in the entity.

In the period ended 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 was 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 was revised at 31 December 2017, and as a result the estimated liability was reduced by €11.80 million. In total the value of the consideration paid and recognised as an investment has reduced by €25.70 million.

Notes *(continued)*

3 Trade and other receivables

	2018 €m	2017 €m
Amounts owed by Group undertakings	514.27	1,076.87
Other debtors, prepayments and accrued income	1.19	1.17
	515.46	**1,078.04**
Due within one year	122.78	16.49
Due after more than one year	392.68	1,061.55

Included within the balances above are €392.68 million (2017: €1,061.55 million) of structural and similar intra-group loan receivables, €20.3 million (2017: €12.62 million) of interest receivable (but unpaid) on intra-group loan receivables and €101.29 million (2017: €2.70 million) of other intra-group receivables.

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

On 31 January 2018 the Group undertook a refinancing and as a result, the balance of structural and similar intra-group loan receivables reduced by €792.46 million in respect of loans due from Froneri International Limited (formerly Froneri International plc). This is due to Froneri International Limited settling the Nestlé shareholder loan (€792.46 million) on the Company's behalf (see note 6).

4 Creditors: amounts falling due within one year

	2018 €m	2017 €m
Other payables	-	2.94
Amounts owed to related parties	27.03	37.06
Amounts owed to Group undertakings	63.20	92.51
	90.23	**132.51**

Included within amounts owed to related parties is €nil (2017: €10.10 million) in respect of interest payable on the Nestlé shareholder loans, €27.03 million (2017: €21.22 million) of tax liabilities and other costs to be reimbursed to Nestlé.

Notes *(continued)*

5 Creditors: amounts falling due after more than one year

	2018 €m	2017 €m
Financial liabilities (see note 6)	1,146.58	1,815.98
Amounts owed to Group undertakings	302.69	-
	1,449.27	**1,815.98**

6 Financial liabilities

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

	2018 €m	2017 €m
Creditors falling due after more than one year		
Shareholder loan notes	1,097.31	979.77
Preference shares and accrued dividends	49.27	43.75
Nestlé shareholder loan (see below)	-	792.46
	1,146.58	**1,815.98**
Creditors falling due within less than one year		
Interest payable on Nestlé shareholder loan	-	10.10
	-	**10.10**

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.

On 31 January 2018 the Group completed a refinancing of its bank debt and its Nestlé 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 Nestlé € shareholder loan (€792.46 million) and the new external debt was drawn down by its subsidiary Froneri International Limited. The Nestlé loan was settled on the Company's behalf by Froneri International Limited resulting in a reduction of intercompany loans owing by Froneri International Limited to the Company (see note 3).

Notes *(continued)*

7 Called up share capital

Share capital

	Called up share capital €m	Merger reserve €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**
- 52,983 C shares of €0.01 each; issued for €506.08 each	0.00	-	27.01	**27.01**
- 92,650 D Shares of €0.01 each, issued for €10.00 each	0.001	-	0.93	**0.93**
- 117,263 deferred shares of €0.01 each, issued for €0.01 each	0.00	-	0.00	**0.00**
On issue at 31 December 2018, full paid	**0.01**	**295.36**	**323.30**	**618.67**

		As restated (Note (a))		
	Called up share capital €m	Merger reserve €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 – as restated	**0.01**	**295.36**	**322.79**	**618.16**

The tables above does not cast due to rounding.

Note (a) The table as at 31 December 2017 has been restated to reallocate part of the share premium account to a merger reserve (see note 31 to the consolidated financial statements).

Notes *(continued)*

7 Called up share capital *(continued)*

	2018 €m	2017 €m
Allotted, called up and fully paid shares:		
- Ordinary shares, of various classes, of €0.01 each	323.31	322.80
- Merger reserve, of various classes, of €0.01 each	295.36	295.36
- Cumulative redeemable preference shares of €0.01 each, issued for €1.00 each	38.22	38.11
	656.89	**656.27**
Share capital, merger reserve and premium classified as liabilities (being preference shares)	38.22	38.11
Share capital, merger reserve and premium classified in shareholders' funds	618.67	618.16
	656.89	**656.27**

During the year 0.21 million preference shares were issued (2017: 1.47 million (at €1.00 each)) each at €1.00 and €0.11 million preference shares were bought back (at €1.00 each) and converted into Deferred shares (2017: nil).

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.

Notes *(continued)*

7 Called up share capital *(continued)*

Issue of shares

In the year ended 31 December 2018, ordinary and preference shares were issued as set out below.

	2018 Total €m	2017 Total €m
298 (2017: 2,043) C Shares of €0.01 each, issued for €506.08 each	0.15	1.03
23,919 (2017: 20,028) D Shares of €0.01 each, issued for €10.00 each	0.24	0.20
106,369 (2017: 10,894) Deferred shares of €0.01 each, issued for €0.01 each	0.18	0.00
214,858 (2017: 1,472,217 Preference shares, issued for €1.00 each	0.21	1.47
	0.78	**2.70**

During the year ended 31 December 2018 146 C shares (2017: nil) were bought back and cancelled. As a result of the cancellation 146 Deferred shares were issued.

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.