

Fyffes Group Limited

Directors' report and financial statements

Year ended 31 December 2017

Registered number: 70123



Fyffes Group Limited

Directors' report and financial statements

Contents

	Page
Directors and other information	1
Strategic report	2
Directors' report	4
Statement of directors' responsibilities in respect of the strategic report, the directors' report, and the financial statements	6
Independent auditor's report to the members of Fyffes Group Limited	7
Profit and loss account and other comprehensive income	10
Balance sheet	11
Statement of changes in equity	12
Notes forming part of the financial statements	13

Fyffes Group Limited

Directors and other information

Directors

T G Murphy (Irish resident)
A H Denham-Smith
R Enright (Irish resident)
D Flynn (resigned 31 January 2017)
J Hopkins
G Kennedy (resigned 5 May 2017)
P Armstrong (appointed 9 January 2018)
A Joyce (appointed 9 January 2018)

Secretary

B Breathnach

Registered office

Houndmills Road
Houndmills Industrial Estate
Basingstoke
Hampshire
RG21 6XL

Independent Auditor

KPMG
Chartered Accountants
1 Stokes Place
St Stephen's Green
Dublin 2

Solicitors

Osborne Clarke
2 Temple Back East
Temple Quay
BS1 6EG

Principal bankers

Barclays Bank plc
Pall Mall
London
SW1Y 5AX

Registered number

70123

Fyffes Group Limited

Strategic report

The directors present their strategic report for the year ended 31 December 2017 and this is set out below.

Principal activities

The principal activities of Fyffes Group Limited are the importation, sale and distribution of fresh tropical produce throughout the United Kingdom.

Market overview and performance

Fyffes Group Limited sources and distributes two main product categories in the UK – bananas and pineapples.

The key drivers of performance in the tropical produce operations are average selling prices, exchange rates and the cost of fruit, shipping and fuel, all of which can result in variability in year on year profitability.

The results for the year are set out on page 9.

The Company achieved a satisfactory performance in 2017 with an improvement in operating margin. Trading remains challenging with continued selling price and cost price pressures.

Strategic development and outlook

The Company continues to grow steadily with new and existing customers. New products are introduced in conjunction with customer requirements and preferences. We continue to seek out further efficiencies, particularly in shipping and transportation methods and in our ripening operations.

Principal risks and uncertainties

The Company's performance is influenced primarily by normal supply and demand factors, including the impact of weather in both the producing countries and in markets in which the Company trades and by trends in consumption of fresh tropical produce.

The financial risk management objectives and policies of the Company are determined in conjunction with Fyffes Limited, the Company's parent entity on a group wide basis. The exposure of the Company to price risk, credit risk, liquidity risk and cash flow risk is managed in a non-speculative manner to maximise shareholder value.

Key performance indicators which are focused on by management include:

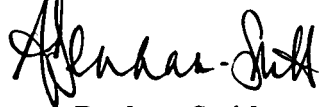
- Sales/gross profit reports analysed by division and product;
- Daily cash/bank reports;
- Monthly management accounts showing divisional trading results and overhead expenses;
- Monthly variance reports analysing sales, gross profit and expenses; and
- Weekly aged debtors reports.

Fyffes Group Limited

Strategic report (continued)

Each of these indicators is monitored by management against trading budgets which are prepared periodically. The indicators are also monitored against prior periods.

On behalf of the board



A Denham-Smith
Director



R Enright
Director

22 August 2018

Fyffes Group Limited

Directors' report

The directors present their report and audited financial statements for the year ended 31 December 2017.

Balance sheet and reserves

Shareholders' funds amounted to a deficit of £5,552,000 at 31 December 2017 (2016: deficit of £6,044,000).

Results and dividends

The loss on ordinary activities for the financial year, after taxation, amounted to £57,000 (2016: loss of £1,086,000). No dividends were paid during the financial year (2016: £Nil).

Tangible fixed assets

The changes in tangible fixed assets during the year are summarised in note 10 to the financial statements.

Directors, secretary and their interests

The directors who served during the year and at the date of approval of the financial statements are those listed on page 1.

There are no directors' or secretary's interests requiring disclosure under the Companies Act, 2006. The interests of the directors of the Company, who are also directors of Fyffes Limited formerly known as Fyffes plc, in the shares and share options of Fyffes Limited, the ultimate parent company, are disclosed in the consolidated financial statements of that company which are available from Fyffes Limited, 29 North Anne Street, Dublin 7, Ireland.

Political and charitable donations

During the financial year, the Company made various charitable contributions totalling £30,983 (2016: £6,160).

The Company made no political donations during the current or preceding financial year.

Creditors' payment policy

The Company's current policy concerning the payment of its creditors is to:

- i. settle the terms of payments with suppliers when agreeing the terms of each transaction;
- ii. ensure that suppliers are made aware of the terms of payment by inclusion of the relevant terms in contracts; and
- iii. pay in accordance with its contractual and other legal obligations.

The payment policy applies to all payments for revenue and capital items without exception.

At year end there were 5.1 days (2016: 5.8 days) purchases in trade creditors.

Employment of disabled persons

All applications for employment from disabled persons are given full and fair consideration, due regard being given to the aptitude and ability of the individual and the requirements of the position concerned. Disabled persons are treated on equal terms with other employees as regards training, career development and promotion. In the event of an existing employee becoming disabled, every effort is made to ensure continuity of employment and that appropriate training is given where necessary.

Fyffes Group Limited

Directors' report (continued)

Employee involvement

During the financial year, the policy of providing employees with information about the Company has been continued through the Fyffes Limited website.

Post balance sheets events

There were no significant events since the balance sheet date, with the exception of disclosures in note 26, which require disclosure in, or adjustment, to the financial statements.

Relevant audit information

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 auditor is 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 auditor is aware of that information.

Other information

An indication of likely future developments in the business and particular significant events which occurred since the end of the financial year have been included in the Strategic Report on page 2.

Independent Auditor

Pursuant to Section 487 of the Companies Act, 2006, the auditor will be deemed to be reappointed and KPMG, Chartered Accountants, will continue in office.

On behalf of the board



A Denham-Smith
Director



R Enright
Director

22 August 2018

Fyffes Group Limited

Statement of directors' responsibilities in respect of the strategic report, the directors' report and the financial statements

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with applicable law and FRS 101 *Reduced Disclosure Framework*.

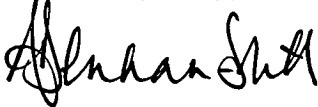
Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that year. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and

The directors are responsible for keeping adequate accounting records which disclose with reasonable accuracy at any time the assets, liabilities, financial position and profit or loss of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal controls as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities. The directors are also responsible for preparing a directors' report that complies with the requirements of the Companies Act 2006.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

On behalf of the board



A Denham-Smith
Director



R Enright
Director

22 August 2018



KPMG
Audit
1 Stokes Place
St Stephen's Green
Dublin 2
D02 DE03
Ireland

Independent auditor's report to the members of Fyffes Group Limited

1 Report on the audit of the financial statements

Opinion

We have audited the financial statements of Fyffes Group Limited ('the Company') for the year ended 31 December 2017 set out on pages 10 to 32, which comprise the profit and loss account and other comprehensive income, the statement of changes in equity, the balance sheet and related notes, including the summary of significant accounting policies set out in note 1. The financial reporting framework that has been applied in their preparation is UK Law and FRS 101 *Reduced Disclosure Framework*.

In our opinion, the accompanying financial statements:

- give a true and fair view of the assets, liabilities and financial position of the Company as at 31 December 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with FRS 101 *Reduced Disclosure Framework*; and
- have been properly prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with ethical requirements that are relevant to our audit of financial statements in the UK, including the Financial Reporting Council (FRC)'s Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We have nothing to report on going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.



Independent auditor's report to the members of Fyffes Group Limited (continued)

Other information

The directors are responsible for the other information presented in the Annual Report together with the financial statements. The other information comprises the information included in the strategic and directors' report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Based solely on our work on the other information:

- we have not identified material misstatements in the directors' report and the strategic report;
- in our opinion, the information given in the directors' report and the strategic report is consistent with the financial statements;
- in our opinion, the directors' report and the strategic report have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

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

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

We have nothing to report on these matters.

2 Respective responsibilities and restrictions on use

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and 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.



Independent auditor's report to the members of Fyffes Group Limited (continued)

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

Auditor's 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 auditor's 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 fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities

The purpose of our audit work and to whom we owe our responsibilities

Our report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Ryan McCarthy (Senior Statutory Auditor)

for and on behalf of

KPMG

Chartered Accountants, Statutory Audit Firm
1 Stokes Place
St Stephen's Green
Dublin 2

22 August 2018

Fyffes Group Limited

Statement of Profit and loss account and other comprehensive income for the year ended 31 December 2017

	Notes	2017 £'000	2016 £'000
Turnover	2	336,781	331,321
Cost of sales		<u>(317,673)</u>	<u>(315,640)</u>
Gross profit		19,108	15,681
Distribution and selling expenses		(14,112)	(14,205)
Administrative expenses		(4,775)	(3,822)
Other operating expenses	3	<u>(115)</u>	<u>200</u>
		<u>(19,002)</u>	<u>(17,827)</u>
Operating profit/(loss)		106	(2,146)
Exceptional items	7	<u>704</u>	<u>2,829</u>
Profit on ordinary activities before interest		810	683
Interest receivable and similar income	4	2,911	3,535
Interest payable and similar charges	5	<u>(3,888)</u>	<u>(4,759)</u>
		<u>(977)</u>	<u>(1,224)</u>
(Loss) on ordinary activities before taxation	6	(167)	(541)
Taxation	9	<u>110</u>	<u>(545)</u>
(Loss) on ordinary activities after taxation		(57)	(1,086)
Other comprehensive income			
Remeasurement of the net defined benefit liability (asset)		511	(3,849)
Tax credit on remeasurement of net defined benefit liability		(92)	693
Currency reserve movement		<u>130</u>	<u>(359)</u>
Other comprehensive income for the year		<u>549</u>	<u>(3,515)</u>
Total comprehensive income for the year		<u>492</u>	<u>(4,601)</u>

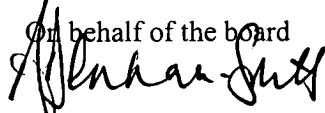
Fyffes Group Limited

Balance sheet

as at 31 December 2017

	Notes	2017 £'000	2016 £'000
Fixed assets			
Tangible assets	10	<u>9,315</u>	<u>10,167</u>
Financial assets			
Investments in subsidiary undertakings	11	<u>4,588</u>	<u>4,588</u>
Other investments	12	<u>4,419</u>	<u>4,419</u>
		<u>9,007</u>	<u>9,007</u>
		<u>18,322</u>	<u>19,174</u>
Current assets			
Stocks	13	<u>8,266</u>	<u>9,040</u>
Debtors	14	<u>53,373</u>	<u>51,954</u>
Cash at bank and in hand		<u>2,225</u>	<u>8</u>
		<u>63,864</u>	<u>61,002</u>
Creditors: amounts falling due within one year	15	<u>(68,157)</u>	<u>(60,808)</u>
Net current (liabilities)/assets		<u>(4,293)</u>	<u>194</u>
Total assets less current liabilities		<u>14,029</u>	<u>19,368</u>
Creditors: amounts falling due after more than one year	16	<u>-</u>	<u>(5,000)</u>
Provisions for liabilities	18	<u>(805)</u>	<u>(1,096)</u>
Net assets before post employment liabilities		<u>13,224</u>	<u>13,272</u>
Post employment liabilities	23	<u>(18,776)</u>	<u>(19,316)</u>
Net assets		<u>(5,552)</u>	<u>(6,044)</u>
Capital and reserves			
Called up share capital	19	<u>1,400</u>	<u>1,400</u>
Share premium account	20	<u>400</u>	<u>400</u>
Currency reserve		<u>164</u>	<u>34</u>
Profit and loss account		<u>(7,516)</u>	<u>(7,878)</u>
Shareholders' funds		<u>(5,552)</u>	<u>(6,044)</u>

The notes on pages 13 to 32 form part of these financial statements.

On behalf of the board

A Denham-Smith
 Director


R Enright
 Director

Fyffes Group Limited
Statement of changes in equity
for the year ended 31 December 2017

	Share capital £'000	Share premium £'000	Currency reserve £'000	Retained earnings £'000	Total £'000
At 1 January 2016	1,400	400	393	(3,636)	(1,443)
Comprehensive income for the period	-	-	(359)	(4,242)	(4,601)
Total comprehensive income for the period	1,400	400	34	(7,878)	(6,044)
At 31 December 2016	1,400	400	34	(7,878)	(6,044)
Comprehensive income for the period	-	-	130	362	492
Total comprehensive income for the year	1,400	400	164	(7,516)	(5,552)
Balance at 31 December 2017	1,400	400	164	(7,516)	(5,552)

Fyffes Group Limited

Notes

Forming part of the financial statements

1. Accounting policies

Fyffes Group Limited is a company incorporated and domiciled in the UK. The Company's registered office is Houndmills Road, Houndmills Industrial Estate, Basingstoke, Hampshire, RG21 6XL.

These financial statements were prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* ("FRS 101"). The amendments to FRS101 (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 ("EU IFRSs"), but makes amendments where necessary in order to comply with the Companies Act, 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

In these financial statements, the Company has adopted certain disclosure exemptions available under FRS 101. These include:

- a Cash Flow Statement and related notes;
- disclosures in respect of the compensation of key management personnel;
- disclosures in respect of transactions with wholly owned subsidiaries;
- disclosures in respect of capital management;
- the effects of new but not yet effective IFRSs; and
- an additional balance sheet for the beginning of the earliest comparative period following transition.

As the ultimate parent company's consolidated financial statements of 31 December 2017 include the equivalent disclosures, the Company has also taken the exemption under FRS 101 available in respect of the following:

- Certain disclosures required by IFRS 13 *Fair Value Measurement* and the disclosures required by IFRS 7 *Financial Instrument Disclosures*; and
- Certain disclosures required by IAS 36 *Impairment of Assets*.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements at 31 December 2017.

Measurement convention

The financial statements are prepared on the historical cost basis.

Functional currency

These financial statements are presented in sterling, being the functional currency of the Company. All financial information presented in sterling has been rounded to the nearest thousand except where otherwise state.

Fyffes Group Limited

Notes

Forming part of the financial statements

Foreign currency

Transactions in foreign currencies are translated to the functional currency of the Company at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated to the functional currency at the exchange rate when the fair value was determined. Foreign currency differences are generally recognised in profit or loss. Non-monetary items that are measured based on historical cost in a foreign currency are not translated.

Going concern

At 31 December 2017, the Company had an excess of liabilities over assets. Fyffes Limited formerly known as Fyffes plc has confirmed to the directors that it will continue to provide financial support to the Company to allow it meet its liabilities as they fall due. On this basis, the directors are satisfied that the Company should have adequate resources to continue in operational existence for the foreseeable future and, for this reason, they continue to adopt the going concern basis in preparing the financial statements.

Turnover

Turnover comprises the fair value of the sale of goods, excluding value added tax, delivered to or collected by customers during the accounting period, net of any returns, discounts or rebates. Turnover from the sale of goods is recognised when the significant risks and rewards of ownership of the goods are transferred to the buyer.

Financial fixed assets

Investments in subsidiary and associated undertakings and other investments are stated at cost, less provision for any permanent impairment in value. Dividend income is recognised when the right to receive payment is established.

Trade and other receivables

Trade and other receivables are initially measured at fair value and are thereafter measured at amortised cost using the effective interest method less any provision for impairment.

Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Tax

The income tax expense comprises current and deferred tax. It is recognised in the income statement except to the extent that it relates to items recognised in Other Comprehensive Income or directly in equity, in which case it is recognised in Other Comprehensive Income or directly in equity.

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

Fyffes Group Limited

Notes

Forming part of the financial statements

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and amounts used for taxation purposes.

A deferred tax asset is recognised to the extent that it is probable future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets.

Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event that can be reliably measured and it is probably 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.

Operating lease payments

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit or loss on a straight line basis over the term of the lease. Lease incentives received are recognised in the profit or loss as an integral part of the total lease expense.

Tangible fixed asset and depreciation

Tangible fixed assets are stated at historical cost less accumulated depreciation and impairment losses. Depreciation is calculated to write off the cost or valuation of tangible fixed assets, other than freehold land which is not depreciated, on a straight line basis, by reference to the following estimated useful lives:

- | | |
|------------------------|---|
| • Freehold properties | 40 years |
| • Leasehold properties | over the lesser of 40 years or the unexpired portion of the lease |
| • Plant and equipment | 3-10 years |
| • Leased plant | over the unexpired portion of the lease |
| • Motor vehicles | 4 years |

Gains and losses on disposal of tangible fixed assets are recognised on the ultimate completion of sale. Gains and losses on disposals are determined by comparing the proceeds received with the net book value and are included in operating profit.

Interest receivable and interest payable

Interest payable and similar charges include interest payable and unwinding of the discount on provisions.

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 profit and loss account on the date of the entity's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

Fyffes Group Limited

Notes

Forming part of the financial statements

Employee benefits

Defined contribution plans

The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

Defined benefit plans

The Company also operates a defined benefit pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the Company.

Pension scheme assets are measured using market values. For quoted securities, the current bid price is taken as market value. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability.

The pension scheme surplus (to the extent that it is recoverable) or deficit is recognised in full. The movement in the scheme surplus/deficit is split between operating charges, finance items and in the statement of comprehensive income. On 31 March 2016 this scheme was closed to future accrual.

Inventories

Inventories are measured at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. The cost of stocks is based on the first-in, first-out principle and includes expenditure incurred in acquiring the stocks and bringing them to their existing location and condition.

Non-derivative financial instruments

Loans and receivables

These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

Non-derivative financial liabilities

Non-derivative financial liabilities are initially recognised at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest method.

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

Ordinary dividends declared as final dividends are recognised as a liability in the period in which they are approved by shareholders. Interim dividends are recognised as a liability when declared.

Fyffes Group Limited

Notes

Forming part of the financial statements

2. Segmental information

An analysis of turnover, results and net assets by geographical area and business activity is not provided as, in the opinion of the directors, the disclosure of such information would be prejudicial to the interests of the Company.

3. Other operating expense/income (net)

	2017 £'000	2016 £'000
Foreign currency gain/(loss)	(136)	188
Other income	21	12
	<u>(115)</u>	<u>200</u>

4. Interest receivable and similar income

	2017 £'000	2016 £'000
Short term bank deposits	-	2
Other interest receivable	27	67
Interest income on scheme assets	2,884	3,466
	<u>2,911</u>	<u>3,535</u>

5. Interest payable and similar changes

	2017 £'000	2016 £'000
Bank loans and overdrafts wholly repayable within 5 years	8	7
Interest expense on Defined Benefit Obligation	3,480	4,247
Other interest payable	279	371
Intercompany interest payable	121	134
	<u>3,888</u>	<u>4,759</u>

Fyffes Group Limited

Notes

Forming part of the financial statements

6. Loss on ordinary activities before taxation

	2017 £'000	2016 £'000
<i>This is stated after charging:</i>		
<i>(a) Auditor's remuneration:</i>		
- Audit services	40	40
Depreciation of tangible fixed assets	1,774	1,996
Operating lease rentals		
- Plant and machinery	15	5
- Other	1,792	1,851
	<hr/>	<hr/>
<i>(b) Directors' remuneration:</i>		
Salaries and other emoluments (including pension contributions)	796	838
	<hr/>	<hr/>

7. Exceptional items

	2017 £	2016 £
Write-off of loans	790	-
Share option	(86)	-
Curtailment gain on changes to defined benefit pension scheme	-	2,829
	<hr/>	<hr/>
	704	2,829
	<hr/>	<hr/>

Fyffes Caribbean Limited has been wound up on the 18th December 2017 and the balance owed has been written back to the profit & Loss.

All share options held by employees were exercised in 2017 after Sumitomo Corporation acquired Fyffes Plc. The exercising of the share options gave rise to a one off cost which has been recognised in full in 2017.

During 2016 the company closed its defined benefit pension scheme to future accrual due to the ever increasing cost of funding the scheme. Once-off curtailment gains amounting to £2.8 million arose during the year as a result of these actions.

Fyffes Group Limited

Notes

Forming part of the financial statements

8. Staff costs

	2017 £'000	2016 £'000
Wages and salaries	11,188	12,364
Social security costs	962	949
Other pension costs	777	898
	<hr/>	<hr/>
Charged to the profit and loss	12,927	14,211
Actuarial loss/(gain) recognised in OCI	(511)	3,849
	<hr/>	<hr/>
	12,416	18,060
	<hr/>	<hr/>

The average weekly number of employees during the year was made up as follows:

	2017 Number	2016 Number
Production	229	206
Sales and distribution	203	251
Administration	47	55
	<hr/>	<hr/>
	479	512
	<hr/>	<hr/>

9. Taxation

	2017 £'000	2016 £'000
Recognised in the profit and loss account		
<i>UK Corporation tax</i>		
Current tax on income for the period	-	-
Adjustments in respect of prior periods	(2)	-
	<hr/>	<hr/>
Total current tax	(2)	-
	<hr/>	<hr/>
<i>Deferred tax (see Note 14)</i>		
Origination and reversal of temporary differences	(145)	(139)
Reduction in tax rate	-	139
	<hr/>	<hr/>
	(145)	-
	<hr/>	<hr/>
Tax charge/(credit) arising on IAS19 pension scheme	37	545
	<hr/>	<hr/>
Total deferred tax	(108)	545
	<hr/>	<hr/>
Total tax charge/(credit)	(110)	545
	<hr/>	<hr/>

Fyffes Group Limited

Notes

Forming part of the financial statements

9. Taxation (continued)

	2017 £'000	2016 £'000
Current tax recognised directly in equity	-	-
Deferred tax recognised directly in equity	-	-
Total tax recognised directly in equity	-	-
(Loss)/profit for the year	(57)	(1,086)
Total tax (credit)	(110)	545
(Loss)/profit excluding taxation	(167)	(541)
Tax using the corporation tax rate of 19.25% (2016: 20%)	(32)	(108)
Group relief surrendered	-	-
Non-deductible expenses	62	60
Non-taxable gains	(152)	-
Other timing differences	-	-
Impact of change in tax rates	-	139
Share based payments	(120)	(46)
Deferred tax not recognised	134	500
Under/(over) provided in prior years	(2)	-
Total tax credit	(110)	545

10. Tangible fixed assets

	Freehold and leasehold properties £'000	Plant and equipment £'000	Motor vehicles £'000	Total £'000
Cost or valuation				
At beginning of financial year	6,655	19,185	1,862	27,702
Additions	-	907	73	980
Disposals	-	(165)	(288)	(453)
At year end	6,655	19,927	1,647	28,229
Depreciation				
At beginning of financial year	659	15,924	952	17,535
Charged during financial year	83	1,381	310	1,774
Arising on disposals	-	(163)	(232)	(395)
At end of financial year	742	17,142	1,030	18,914
Net book value				
At end of financial year	5,913	2,785	617	9,315
At beginning of financial year	5,996	3,261	910	10,167

Fyffes Group Limited

Notes

Forming part of the financial statements

10. Tangible fixed assets (continued)

There are no assets held under finance leases included in the above total net book value.

The gross book value of freehold and leasehold properties includes £3,215,148 (2016: £3,215,148).

11. Investments in subsidiary undertakings

	2017 £'000	2016 £'000
Cost		
At beginning and end of financial year	10,386	10,386
Provision for impairment		
At beginning and end of financial year	<u>(5,798)</u>	<u>(5,798)</u>
Net book value		
At beginning and end of financial year	<u>4,588</u>	<u>4,588</u>

At 31 December 2017, investments in principal subsidiary undertakings reflect the following:

Incorporated in the United Kingdom

<i>Name</i>	<i>Ordinary shares</i>	<i>Nature of business</i>	<i>% owned directly</i>
James Lindsay & Son plc	1,836,419 of 25p each	Dormant company	100%

In the opinion of the directors, the value of the investments in subsidiary undertakings is not less than their carrying value.

Fyffes Group Limited
Notes
Forming part of the financial statements

12 Other investments

	2017 £'000	2016 £'000
Cost		
At beginning of financial year	15,003	15,003
Provision for impairment		
At beginning of financial year	(10,584)	(10,584)
Impairment charge recognised in the year	-	-
At end of financial year	(10,584)	(10,584)
Net book value		
At beginning and end of financial year	4,419	4,419
Investments in associated undertakings	4,416	4,416
Trade investments at cost	2	2
Quoted investments at cost	1	1
	4,419	4,419

At 31 December 2017, investments in associated undertakings reflect the following:

Incorporated in the United Kingdom

<i>Name</i>	<i>Ordinary shares</i>	<i>Nature of business</i>	<i>% owned directly</i>
Windward Isles Banana Company (UK) Limited	10,000,000 ordinary shares of £1 each	Holding company	50%

In the opinion of the directors, the value of the investments is not less than their carrying value.

13. Stocks

	2017 £'000	2016 £'000
Raw materials and consumables	473	599
Fresh fruit	7,793	8,441
	8,266	9,040

The replacement cost of stocks at the balance sheet date is not materially different from that shown above.

The replacement cost of stocks did not differ significantly from the amounts shown above. Stocks are stated net of a provision of obsolescence of £15,687 (2016: £15,687). Raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales in the year amounted to £317,673,000 (2016: £315,640,000).

Fyffes Group Limited

Notes

Forming part of the financial statements

14 Debtors

	2017 £'000	2016 £'000
Trade debtors	18,265	15,833
Other debtors	4,773	5,051
Amounts due from other Group undertakings	28,623	29,523
Prepayments and accrued income	474	359
Deferred tax asset (see below)	1,238	1,093
Corporation tax recoverable	-	95
	53,373	51,954

Debtors include other debtors of £Nil (2016: £442,109) due after more than one year.

	2017 £'000	2016 £'000
Deferred taxation		
At beginning of financial year	1,093	1,093
Credited/(charged) during the financial year (note 9)	145	-
Net asset at end of financial year	1,238	1,093

Deferred taxation represents provision for timing differences as follows:

	2017 £'000	2016 £'000
Depreciation in excess of capital allowances	144	144
Origination/reversal of timing differences	1,094	949
	1,238	1,093

The total timing differences including those recognised are as follows:

	2017 £'000	2016 £'000
Capital gain rolled over/held over	(257)	(257)
Depreciation in excess of capital allowances	144	144
Other timing differences	1,094	949
	981	836

Deferred tax asset

In addition to the deferred tax asset shown above, a deferred tax asset also arises in relation to the post employment liabilities in the balance sheet and is netted against the liability to which it relates (note 23).

The main rate of UK corporation tax was reduced to 20% with effect from 1 April 2015 and will be further reduced to 19% from 1 April 2017 and 17% from 1 April 2020.

Fyffes Group Limited

Notes

Forming part of the financial statements

15. Creditors: amounts falling due within one year

	2017 £'000	2016 £'000
Bank overdraft	-	1,871
Trade creditors	4,407	5,263
Other taxes and social security costs	1,017	720
Corporation tax payable	-	14
Other creditors	-	835
Accruals and deferred income	5,421	6,419
Amounts due to other group companies	57,312	45,684
	<u>68,157</u>	<u>60,806</u>

16. Creditors: amounts falling due after more than one year

	2017 £'000	2016 £'000
Loan payable to fellow group undertaking	-	5,000

During 2010, the company was advanced a loan of £5,000,000 from a fellow group undertaking. The loan was repaid in full on 19th December 2017. The loan bears interest at LIBOR plus 2.1608% and the interest is payable on a quarterly basis.

Interest of £121,000 (2016: £134,439) was charged in respect of this loan during the year.

17. Interest bearing loans and borrowings

This note provides information about the contractual terms of the company's interest-bearing loans and borrowings, which are measured at amortised cost.

	2017 £'000	2016 £'000
Creditors: amounts falling due after more than one year		
Loan from another group undertaking	-	5,000
	<u>-</u>	<u>5,000</u>

Fyffes Group Limited

Notes

Forming part of the financial statements

18. Provisions for liabilities

Merchant Navy Officers Pension Fund and Merchant Navy Ratings Pension Fund

	2017 £'000	2016 £'000
Balance at beginning of year	1,414	1,691
Charge recognised in year	737	0
Discounting	26	114
Payments	(1,372)	(391)
	805	1,414
Included with creditors due within one year	-	(318)
At end of financial year	805	1,096

Merchant Navy Officers Pension Fund

As a result of a ruling by the High Court in the UK in 2005, a claim was made against Fyffes in respect of a deficit in the Merchant Navy Officers Pension Fund (MNOFF), a UK based multi-employer defined benefit pension scheme operated on behalf of ships' officers employed by approximately 2,000 companies. The Trustee of the MNOFF was authorised by the Court to recover any deficit in the scheme from both the current and former employers of these ships' officers. The claim against Fyffes relates to ships' officers employed by two subsidiaries prior to their acquisition by the Group. The Trustee notified the Fyffes Group that its share of the deficit as at 31 March 2005 could be settled by ten equal instalments payable between September 2005 and March 2014 amount to £3,959,000 in aggregate. The Trustee also indicated that further cash calls may be necessary in subsequent years, depending on the results of future actuarial valuations of the scheme and on his availability to recover the amounts due from all relevant current and former employers. In 2005, Fyffes Group provided for the net present value of the payments claimed, amounting to £2,991,000.

Fyffes Group's liability in this regard increased during 2007 following an actuarial review. However, in the same year the Trustee also reallocated a portion of the liability to a former owner of the entity.

Fyffes liability in this regard increased further in 2009 as a result of the triennial valuation of the scheme in that year giving rise to a charge in that year amounting to £3,353,000. This liability was finalised and reduced by £190,000 in 2010. Also in 2010, the present value of amounts recoverable from a third party of £741,000 relating to the 2009 increase, which had previously been netted against the company's MNOFF liability, were reclassified as other receivables. During 2012, some of Fyffes Group's liabilities in respect of the MNOFF deficits previously recognised by the company were assumed by another Group undertaking and accordingly the company's provisions in respect of MNOFF were reduced by £1,949,000. The company recognised a further charge (net of amounts recoverable from a third party) of £512,000 in 2013 as a result of the 2012 triennial valuation of the scheme, all of which was paid in 2014. Payments in 2017 amounted to £1,372,000 (2016: £391,000) and the present value of the company's liability to the MNOFF amounted to £805,151 at 31 December 2017 (2016: £1,414,248).

Following negotiations with the Trustee of the MNOFF, a payment schedule has been agreed in relation to the further deficit arising from the 2009 actuarial valuation, resulting in equal annual payments between 2013 and 2021 totalling £5.9 million, of which £1 million is recoverable from a third party.

Fyffes plc has agreed to provide a parent company guarantee in support of these deferred payments, in addition to the earlier deficits.

Fyffes Group Limited

Notes

Forming part of the financial statements

Merchant Navy Ratings Pension Fund

The company paid £3,369,000 to the Trustees of the Merchant Navy Ratings Pension Fund (MNRPF) during 2016 in full payment of its share of the deficit in that scheme. The company has recognised a charge of £805,000 in 2017 as it's share of the 2017 estimated valuation.

19. Share capital

	2017	2016
	£'000	£'000
<i>Authorised, allotted, called up and fully paid:</i>		
Ordinary shares of £1 each	1,000	1,000
"A" ordinary shares of £1 each	400	400
	1,400	1,400

The "A" ordinary share are non-voting and have the right to be redeemed at par on a winding up. The "A" ordinary shares have a right to any dividends that may be recommended by the directors, but such dividends may not exceed £42.5 million.

20. Share premium account

	2017	2016
	£'000	£'000
Premium on issue of "A" ordinary shares	400	400

21. Commitments and contingencies

(a) Capital commitments

	2017	2016
	£'000	£'000
Contracted but not provided for in the financial statements	-	-
Authorised by the directors but not contracted	-	-

Fyffes Group Limited

Notes

Forming part of the financial statements

(b) Contingent liabilities

There were no outstanding bonds, guarantees and indemnities as at 31 December 2017 (2016: £Nil).

(c) Contingencies

From time to time, the company is involved in other claims and legal actions which arise in the normal course of business. Based on information currently available to the company, and legal advice, the directors believe such litigation will not, individually or in aggregate, have a material adverse effect on the financial statements and that the company is adequately positioned to deal with the outcome of any such litigation.

(d) Financial support

The company has agreed to provide financial support for a period of one year from the date of the approval of the financial statements to certain subsidiary undertakings.

(e) Operating leases

The annual commitments under operating leases are as follows:

	Land and buildings		Other	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Operating leases which expire in 2-5 years	<u>1,497</u>	<u>1,988</u>	<u>61</u>	<u>3</u>

22. Operating leases

Non-cancellable operating lease rentals are payable as follows:

	2017	2016
	£'000	£'000
Less than one year	1,497	1,988
Between one and five years	5,820	9,945
More than five years	4,017	5,618
	<u>11,334</u>	<u>17,551</u>

The company leases a number of warehouse and factory facilities under operating leases.

During the year £1,809,773 was recognised as an expense in the profit and loss account in respect of operating leases (2016: £1,856,000).

Fyffes Group Limited

Notes

Forming part of the financial statements

23. Pension information

Defined benefit pension scheme

A full actuarial valuation was carried out on the scheme at 31 October 2015. The latest valuation is still ongoing. The result of this review was a deficit of £21.6 million. The company agreed a revised recovery plan with the trustees of the scheme involving eighteen annual payments of £1 million commencing in January 2016, supported by a guarantee from Fyffes plc, its parent undertaking.

The scheme was closed to future accrual on 31 March 2016.

The major assumptions used to calculate the retirement benefit liabilities under FRS 17 were as follows:

Valuation method	2017 Projected Unit %	2016 Projected Unit %	2015 Projected Unit %
Discount rate	2.50	2.60	3.80
Inflation rate – RPI	3.20	3.20	3.00
Inflation rate – CPI	2.20	2.20	2.00
Increase to pension in payment (pre April 2005)	3.20	3.20	3.00
Increase to pension in payment (post April 2005)	2.50	2.50	2.50
Salary increases	N/A	N/A	3.25

In valuing the liabilities of the pension fund at 31 December 2017, certain mortality assumptions have been made. The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard actuarial mortality tables 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:

- Current pension aged 65: 87 years (male) / 90 years (female)
- Current pension aged 40: 90 years (male) / 92 years (female)

The assumptions used by the actuary are chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice.

	2017 £'000	2016 £'000
Equities	26,909	31,633
Bonds	66,085	53,036
Property	3,610	3,343
Other	18,758	24,908
Total market value of pension scheme assets	115,362	112,920
Present value of funded defined benefit obligations	(138,259)	(136,733)
(Liability) recognised on the balance sheet	(22,897)	(23,813)
Related deferred tax asset	4,121	4,497
Net (liability) recognised on the balance sheet	(18,776)	(19,316)

Fyffes Group Limited

Notes

Forming part of the financial statements

Fyffes Group Limited employs a building block approach in determining the long-term rate of return on pension plan assets. Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles. The assumed long-term rate of return on each asset class is set out within this note. The interest income on scheme assets is then derived by aggregating the expected return for each asset class over the actual asset allocation for the scheme at 31 December 2017.

Analysis of amount charged to operating profit:

	2017 £'000	2016 £'000
Current service costs – total scheme	-	238
Less: contributions received from other pension scheme members	-	(49)
Total operating charge	-	189

Analysis of the amount credited/(charged) to other finance Income and expense:

	2017 £'000	2016 £'000
Interest income on scheme assets	2,885	3,466
Interest expense on defined benefit obligations	(3,480)	(4,247)
Net charge	(595)	(781)

The (expense)/income is recognised in the following line items in the profit and loss account:

	2017 £'000	2016 £'000
Cost of sales	-	(326)
Distribution and selling expenses	-	(368)
Administrative expenses	-	(139)
Interest receivable	2,885	3,466
Interest payable	(3,480)	(4,247)
	(595)	(1,614)

Fyffes Group Limited

Notes

Forming part of the financial statements

Analysis of the amount recognised in the statement of comprehensive income:

	2017 £'000	2016 £'000
Remeasurement gains/(losses) on scheme assets	4,305	20,594
Actuarial gains and losses on scheme liabilities arising from experience	-	1,569
Actuarial gains/losses due to changes demographic assumptions	(1,390)	3,134
Actuarial gains/(losses) on scheme liabilities arising from changes in financial assumptions	(2,404)	(29,146)
Actuarial (loss)/gain recognised in statement of comprehensive income	511	(3,849)

Movement in fair value of plan assets:

	2017 £'000	2016 £'000
At the beginning of the financial year	112,920	92,707
Interest receivable	2,885	3,466
Remeasurement (losses)/gains on scheme assets	4,305	20,594
Contributions by scheme participants	-	76
Contributions by the employer	1,000	1,215
Net benefits paid out	(5,748)	(5,138)
At end of the financial year	115,362	112,920

Movement in present value of defined benefit obligation:

	2017 £'000	2016 £'000
At the beginning of the financial year	136,733	115,696
Current service costs	-	238
Past service costs	-	(2,829)
Interest expense on defined benefit obligation	3,480	4,247
Actuarial (gain)/losses on scheme liabilities	3,794	24,443
Net benefits paid out	(5,748)	(5,138)
Member contributions	-	76
At end of the financial year	138,259	136,733

History of actuarial gains and losses

	2017 £'000	2016 £'000	2015 £'000
Remeasurement (losses)/gains on scheme assets	4,305	20,594	(2,696)
<i>Expressed as a percentage of scheme assets</i>	3.7%	18.2%	(2.9%)
Actuarial gains and losses on scheme liabilities arising from experience	0	(1,569)	(612)
<i>Expressed as a percentage of scheme liabilities</i>	0%	(1.15%)	(0.5%)
Total actuarial gains and losses recognised in statement of comprehensive income	511	(3,849)	(229)
<i>Expressed as a percentage of scheme liabilities</i>	0.4%	(2.8%)	(0.2%)

Fyffes Group Limited

Notes

Forming part of the financial statements

History of plans

The history of the plans for the current and prior years are as follows:

Balance sheet

	2017 £'000	2016 £'000	2015 £'000
Present value of scheme liabilities	(138,259)	(136,733)	(115,696)
Fair value of scheme assets	115,362	112,920	92,707
Deficit	(22,897)	(23,813)	(22,989)

Defined contribution pension scheme

Pensions are funded through an external pension scheme. The scheme is vested in independent trustees nominated by the company for the sole benefit of the employees and their dependants. The total charge in the year relating to the defined contribution section of the scheme was £446,328 (2016: £301,220). The amount included in other creditors in respect of this scheme at year end was £74,487 (2016: £26,598).

24. Ultimate parent undertaking and controlling party

The ultimate parent undertaking of Fyffes Group Limited is Sumitomo Corporation (Japanese listed company). The largest group into which the financial statements of Fyffes Group Limited are consolidated is that headed by Sumitomo Corporation. The smallest group into which the financial statements of Fyffes Group Limited are consolidated is Fyffes Limited. The financial statements of Fyffes Limited are available from the Company Registration Office in Dublin.

25. Related party transactions

Transactions with Group undertakings

In relation to transactions with Group undertakings where there is a direct or indirect relationship (equity or control) of 100%, the company has availed of the exemption available under FRS 101 from disclosing transactions with Group undertakings as consolidated financial statements are prepared by Fyffes Limited which include this company.

Transactions with associated undertakings

The company trades in the normal course of its business with subsidiary and associated undertakings.

A summary of transactions with these related parties during the year ended 31 December 2017 is as follows:

	Sale of goods and rendering of services to related parties £'000	Services rendered and purchases from related parties £'000
Internationale Fruchtimport Gesellschaft Weichert & Co KG	349	88
Balmoral International Land Holdings plc	-	588
	349	676

Fyffes Group Limited

Notes

Forming part of the financial statements

The company had the following balances due from/(to) related parties at the financial year end:

	2017 £'000	2016 £'000
International Fruchtimport Gesellschaft Weichert & Co KG	3	36
Beresford Software Development Limited	(107)	(107)

26. Post balance sheet events

There have been no other material events subsequent to the year-end which require disclosure in, or adjustment to, the financial statements.

27. Use of estimates and judgements

In preparing these financial statements, management has made judgements, estimates and assumptions that affect application of the company accounting policies and the reported amounts of assets, liabilities, income and expenses. Such estimates and judgements are based on historical experience and other factors, including expectation of future events that are believed to be reasonable. Actual outcomes may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

28. Approval of financial statements

The directors approved these financial statements on 22 August 2018.