

Company Registration No.05777981

## FRONERI INTERNATIONAL LIMITED

Report and financial statements

31 December 2020



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## Strategic report

The directors present their strategic report for the year ended 31 December 2020.

### Principal activities

The Company's principal activity during the year was as a holding company for most of the operating subsidiaries of the Froneri Group ("Froneri"). On 31 January 2020, Froneri Lux Topco S.à r.l. became the ultimate parent company of Froneri, a joint venture, which is owned and controlled in equal shares between the private equity firm PAI Partners ("PAI"), and Nestlé SA.

As a holding company, Froneri International Limited provides financing and other activities to the rest of the Group.

### Business review and results

Throughout the year, Froneri has operated in Europe, Egypt, South Africa, Brazil, Argentina, Australia, New Zealand, Israel and the Philippines. During the year Froneri acquired Dreyer's Grand Ice Cream Holdings, Inc and its subsidiaries (together 'Dreyer's'), Nestlé USA's ice cream business, along with Nestlé Puerto Rico's ice cream business. Froneri is now the second largest manufacturer of ice cream in the world and is the largest manufacturer of private label ice cream globally.

Due to the associated refinancing of the Dreyer's transaction, the Company repaid all of its external Term Loans, with additional intercompany financing arrangements put in place. As part of the refinancing, the remaining unamortised amount of the transaction costs relating to these loans have been expensed in 2020.

At 31 December 2020 the Company had in place a €2,180.0 million € denominated intercompany loan, which accrues interest at 2.625%, a €245.0 million € denominated intercompany loan, which accrues interest at 5.75%, and a €575.7 million USD denominated intercompany loan (\$830.8 million), which accrues interest at 2.363%, owed to the fellow group undertaking Froneri Lux Topco S.à r.l. These loans due to Froneri Lux Topco S.à r.l. all have a maturity of 7 years from the date of refinancing. However, in relation to the USD denominated intercompany loan, €6.8m is due in falling due for repayment in less than one year.

The Company is responsible for managing the Group's intellectual property and is the licence holder for the Group's licencing agreements for the Nestlé and Mondelēz brands. The Company has sub-licences with the operating companies for use of the licenced brands in their respective markets. In the year to 31 December 2020 the Company recognised income of €282.3 million (2019: €160.5 million) in respect of managing the group's intellectual property, with the increase in the year primarily driven by the acquisition of the Dreyer's business.

In the year to 31 December 2020 the Company recognised income from shares in group undertakings of €363.6 million (2019: €116.1 million) and a profit of €70.0 million on the disposal of investments (2019: €nil).

The results of the Company for the financial year amounted to a profit of €255.5 million (2019: loss of €95.0 million) with a net assets position of €35.5m (2019: net liabilities of €284.2m). The profit included €169.4 million (2019: €181.4 million) of exceptional operating costs, mainly relating to impairment charges against investments in subsidiaries and intercompany loans. The ongoing operating costs of the Company relate to the management of the Group.

### Key performance indicators

Given the straight-forward nature of the business, the directors are of the opinion that analysis using KPIs is not necessary for understanding of the performance or development of the business.

## **Strategic report (continued)**

### **Principal risks and uncertainties**

The principal risks of the Company are in respect of the carrying value of its investments and recoverability of its intercompany balances. The directors consider the potential impact of business risks affecting entities across the Group regularly at Board meetings.

### **Statement by the directors in performance of their statutory duties in accordance with Section 172(1) Companies Act 2006.**

The Board's engagement with the Company's stakeholders helps frame the Company's strategic direction, informs the Board's decision making process and overall supports the Board's duty to promote the success of the Company as set out in Section 172 of the Companies Act 2006. The directors of the Company consider that they have acted in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole.

The following paragraphs summarise how directors fulfil their duties:

#### **Employees**

In 2020, in all of the markets where we operate, we developed specific strategies aimed at enhancing employee engagement, developing relevant capabilities required to run the business with the vision of being the "best ice cream company in the world", increasing the depth of talent and the breadth of diversity, and ensuring compliance with local employment laws and regulations.

Froneri operates a framework for employee information and consultation in line with the relevant regulations in each territory. Throughout the period, the Group (from which Froneri International Limited as an intermediate parent and its subsidiaries operate) continued to provide information on its website and through regular employee communications. Over the course of 2020, the Group completed most of its remaining IT integration projects. This further enhances the Group's 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.

Feedback is encouraged on any issues that are of concern to employees on an ongoing basis. The Group's new Integrity Call Policy continued to operate successfully. This policy allows "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 which operates a 24/7 telephone hotline in all the languages of the Group on an anonymous basis, where that is the caller's preference.

Froneri operates a framework for employee information and consultation in line with the Information and Consultation of Employees Regulations 2005.

#### **Health & Safety matters**

The Froneri Health & Safety ("H&S") Strategy focuses on targeting risk reduction and performance improvements. Initiatives across the Group continued to deliver exceptional H&S performance with a 21% reduction in high to medium risk-related incidents and a 39% reduction in lost time injuries.

Key initiatives implemented in the year in countries within the Group were:

- A behaviour-based safety programme
- Country-specific risk management and H&S plans.

## **Strategic report (continued)**

### **Business ethics and human rights**

We have committed to a programme of auditing our top suppliers at a group and country level over the next three years to cover areas like Consumer Safety, compliance to our specification and verification of ethical and environmental commitments. This further helps Froneri ensure that its suppliers operate in an ethically and socially responsible manner. To bring additional rigour to this audit programme the Company recently selected Intertek as our supplier audit partner.

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 its policies and processes. This is most pertinent in the Group's approach to supply chain management (and the consideration of an 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.

There have been no instances of non-compliance with these policies noted in the year.

### **Diversity; Gender-based reporting and Disability**

Froneri is committed to gender-neutral employment policies, including retention, recruitment and remuneration. In 2020, the six-strong Froneri board was all male.

At 31 December 2020, the Group had a total of 13,289 (2019: 10,418) permanent and non-permanent employees. The increase in the year over previous periods was mainly due to the USA acquisition. This total was made up of 11,735 permanent employees and 1,554 non-permanent employees. Of the overall total, 3,686 were women and 9,603 were men.

In terms of management there are 1,303 employees categorised as managers, of which 421 are women, 28 employees categorised as senior managers, five of whom are women. Of these, three of the top eight markets are led by female Country Heads.

In 2020 Froneri continued its talent and succession planning activity with a continued 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 and race, disability, gender/gender identity and sexual orientation, religion, marital status and dependants, political views and social class. It recruits, employs, rewards, trains and promotes employees purely on merit and the specific qualifications and abilities needed for the work to be performed.

## **Strategic report (continued)**

### **Environmental matters**

The Group always aims to operate in an environmentally responsible manner. 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.

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.

### **Social and community matters**

Froneri 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.

Froneri recently launched the indulgent plant-based ice cream with a social conscious: RØAR®. This new brand is about a conscious mindset, social responsibility and caring for animal welfare. The brand will be aimed at an audience who live a balanced lifestyle, those who are looking to indulge whilst still making responsible food choices (the range does not contain palm oil and all cocoa is UTZ Certified). RØAR®'s animal welfare expands beyond ingredients with a long-term partnership with Panthera; Panthera is the only organisation in the world devoted exclusively to the conservation of the world's wild cats, aiming to increase tiger numbers by at least 50% over a ten-year period.

Froneri recognises that obesity, particularly in children, is one of the most significant health issues worldwide – and that as an ice cream company with a vision to be the world's best it has a responsibility to help tackle this.

Over 70% of our children's products by volume sold already meet these commitments and our 'Road to 100%' plan sets out the steps which will enable us to achieve these reductions across all our children's products by 2022.

### **Anti-bribery and Corruption policy**

It is Froneri's policy to conduct all our business in an honest and ethical manner. We take a zero-tolerance approach to bribery and corruption and are committed to acting professionally, fairly and with integrity in all our business dealings and relationships wherever we operate.

The group companies implement their own local Anti-Bribery Policy which incorporates the Group's minimum policy requirements, whilst being sensitive to local customs. All employees are trained on the requirements periodically. Heads of Finance, departments and managers are responsible for implementing their own policies including appropriate practices, processes, controls and training.

Froneri operates in territories which present a higher risk of bribery and corruption than others depending on the particular political and social landscape. Before doing business in any new territory we assess the risks associated with that territory from a bribery and corruption perspective to identify and implement any controls required to manage the risks of operating in that territory proportionate to the bribery and corruption risk.

Each Froneri business must have adequate anti-bribery and corruption procedures and due diligence in place relating to employees, agents and distributors, suppliers, customers and other associated persons. Additional due diligence is performed on those employees who have access to Company funds or hold a position of seniority. The Group also has clear guidelines in place regarding gifts & hospitality and charitable & political donations.

## **Strategic report (continued)**

### **Anti-bribery and Corruption policy (continued)**

All employees are encouraged to raise concerns about suspected bribery or corruption, either through their usual chain of command, through Group legal or through the third-party whistleblowing hotline, as appropriate.

There have been no instances of non-compliance with the policy noted in the year.

### **Impact of COVID-19**

Froneri is monitoring the ongoing COVID-19 situation in each of its operating countries across the globe and continues to take advice from the relevant experts, applicable country health authorities and the World Health Organization to determine its ongoing response and protective measures. The impact of COVID-19 on Froneri's customers and consumers has resulted in the closure of sales outlets in various countries operating in the 'out of home' segment as well as cafes, restaurants, bars and hotels. Revenue in these channels has been adversely impacted whereas revenue in the retail channel has been strong relative to expectations. Froneri's revenue in the OOH and HORECA channels represents ~25% of revenues, the balance of which is in the retail channel.

Being a food manufacturer, in 2020 none of our operations have been required (by law) to shut down despite various lockdown restrictions having been enforced. We have not experienced major incremental supply chain or logistics challenges as a result of COVID-19. We have implemented various initiatives at sites to reduce the risk of COVID-19 spread. Such measures have included testing of employees, strict rules on visitors to sites, significantly enhanced cleaning, reduced business travel, home working for office staff and other general social distancing measures across our sites. Consequently, during 2020 we experienced only isolated instances of COVID-19 infection across the workforce. Cost mitigation strategies we have taken include: non-critical marketing activities paused, reduced headcount, reduced production volumes and temporary factory shutdowns, use of government initiatives, reduced discretionary spend and tight control of all overheads. In order to protect and preserve cash, we: put on hold non-essential capex, significantly reduced our stock levels in response to the anticipated reductions in demand, redoubled our efforts on cash collection, took advantage of government initiatives to defer payments where possible and managed payments to non-critical suppliers where possible.

At the time of writing, various countries are beginning to gradually remove restrictions. Froneri will closely monitor developments and assess the ongoing impact on its business. Based on performance to date, current circumstances and internal projections, the Group maintains its view that it will be well within bank facility limits and covenant levels during 2021 and 2022.

The Company has complied with the requirements of s172 of the Companies Act 2006 as evidenced throughout this Strategic Report.

On behalf of the board

I Najafi  
Director



21 July 2021

## **Directors' report for the year ended 31 December 2020**

The directors present their report and the audited financial statements of the Company for the year ended 31 December 2020.

### **Future developments**

The Company will continue to be a holding company and to provide financing and other activities to the rest of the Group.

### **Dividends**

The directors do not recommend the payment of a dividend (2019: €nil).

### **Financial Risk Management Policies and Objectives**

The Company finances its activities with a combination of intercompany loans, cash and revolving credit facilities. Other financial assets and liabilities arise directly from the Company's operating activities.

### **Going concern**

At 31 December 2020, the Company had net assets of €35.5 million (2019: €284.2 million net liabilities). Included in current liabilities are €0.4 million (2019: €275.0 million) of loans from parent companies which are repayable on demand.

The directors have considered this position, together with the Company and the Group's budgets, positive net current assets position. These forecasts were subject to a range of sensitivities including a severe but plausible scenario together with the likely effectiveness of mitigating actions and further detail included within the notes to the Financial Statements section 2.1.1.

### **Directors**

The directors of the Company who held office during the year and up to the date of signing the financial statements were as follows:

I Najafi  
P Griffin  
M Mattia (resigned 31 January 2021)  
I Blanken (appointed 16 November 2020)

In accordance with the articles of association, no directors retire by rotation.

As permitted by the Articles of Association, each of the directors has the benefit of an indemnity, which is a qualifying third-party indemnity as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the tenure of each director during the year and is currently in force. The Company also maintains directors' and officers' liability insurance in respect of itself and its directors.

### **Employees**

The Company, and wider Group, operates a framework for employee information and consultation in line with the Information and Consultation of Employees Regulations 2005. Throughout the year, 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.



## **Directors' report for the year ended 31 December 2020 (continued)**

### **Employees (continued)**

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 year in which the Group employed them.

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.

### **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 notes other than those disclosed in the Strategic Report. The directors consider, both individually and together, that they have acted in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole in the decisions taken during the year ended 31 December 2020. The Strategic Report also sets out how we have engaged with employees and taken account of their interests, and how directors have engaged with suppliers, customers and other stakeholders, as set out in s172(1)(a-f) of the Companies Act 2006.

### **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 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 Company and of the profit or loss of the 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 United Kingdom Accounting Standards, comprising FRS 101, have been followed, 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 Company will continue in business.

The directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

**Directors' report for the year ended 31 December 2020 (continued)**

**Directors' confirmations**

In the case of each director in office at the date the Directors' Report is approved:

- so far as that director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

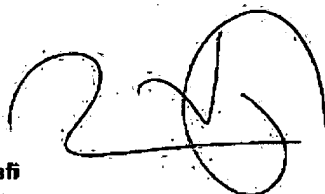
**Independent Auditors**

The independent auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office.

On behalf of the board

**I Najafi**  
Director

21 July 2021



Richmond House  
Northallerton  
North Yorkshire, DL7 9UL  
United Kingdom

## ***Independent auditors' report to the members of Froneri International Limited***

### **Report on the audit of the financial statements**

#### **Opinion**

In our opinion, Froneri International Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its profit for the year then ended;
- 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 Report and financial statements (the "Annual Report"), which comprise: the statement of financial position as at 31 December 2020; the income statement, the statement of comprehensive income and the 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 company 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.

#### **Our audit approach**

##### **Overview**

###### **Audit scope**

- Our scope included all material financial statement line items.

###### **Key audit matters**

- Impairment of investments in subsidiaries
- Impact of Covid-19

###### **Materiality**

- Overall materiality: 45,148,000 EUR based on 1% of total assets.
- Performance materiality: 33,861,000 EUR.

##### **The scope of our audit**

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

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

### **Key audit matters**

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

This is not a complete list of all risks identified by our audit.

Impairment of investments in subsidiaries and the impact of Covid - 19 are new key audit matters this year. Otherwise, the key audit matters below are consistent with last year.

<b>Key audit matter</b>	<b>How our audit addressed the key audit matter</b>
<p><i>Impairment of investments in subsidiaries</i></p> <p>As disclosed in note 6, the company has investments in subsidiaries amounting to €3,362 million. Management consider whether there are any indicators of impairment given the financial performance and position of the subsidiary companies, particularly in light of the impact of the COVID-19 pandemic. An impairment charge of €162.1 million has been recorded during the year. We focused on this balance given its size and the current global economic environment and the judgements and estimates required to forecast future financial performance.</p> <p>Management have assessed whether there are indicators of impairment to investments by preparing a value in use model, which includes forecast cash flows for the next five years and a terminal year, to which a long-term growth rate is applied. A discount rate is also applied to the model. There were no other impairments identified.</p> <p>In note 2.15 'Critical accounting estimates and judgements' management set out the key assumptions for the value in use model and notes 3 'Operating loss' and 6 'Investments' present disclosures in relation to the impairment assessment.</p>	<p>We obtained management's value-in-use model and tested the reasonableness of the key assumptions, including the following:</p> <p>(a) We tested the mathematical accuracy of the impairment model and agreed the carrying value of the investments in subsidiaries</p> <p>(b) We challenged management's discount rate used for discounting future cashflows within the impairment model</p> <p>(c) We traced the forecast financial information within the model to the latest Board approved budget and considered the accuracy of previous forecasts</p> <p>(d) We challenged management to provide support to corroborate trading assumptions</p> <p>(e) We performed sensitivity analysis to ascertain the impact of reasonably possible changes in key assumptions and to quantify the downside changes needed before an impairment would be required; and</p> <p>We also assessed the disclosures made in respect to the sensitivity of the key assumptions.</p>

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

<p><b>Impact of Covid-19</b></p> <p>The directors have explained the impact of COVID-19 on the performance of the company in the strategic report. The ongoing and evolving COVID-19 pandemic is having a significant impact on the global economy and in particular the UK, where the Company operates. There is significant uncertainty as to the duration of the pandemic and what its lasting impact will be on UK economy.</p> <p>The Directors have considered the potential impact on the Company of the ongoing COVID-19 pandemic. In relation to the on-going application of controls, processes and governance the Directors have not observed a significant impact to the running of the business since lockdown measures were introduced in the UK in March 2020.</p>	<p>We obtained the directors' assessment of the business as a going concern, covering the period to 31 December 2022, which included a severe but plausible downside scenario.</p> <p>(a) We understood the cash forecasting process and tested the key assumptions for reasonableness. This included assessment of forecast cash flows and comparing those cash flows with existing liquidity and forecast compliance with banking covenants.</p> <p>(b) We verified the arithmetical accuracy of management's forecasts</p> <p>(c) We have evaluated management's downside scenario and we have also performed additional sensitivity analyses to ascertain the impact of reasonably plausible changes in key assumptions that would result in a breach of the banking covenants or exceeding its available facilities</p> <p>(d) We have also assessed management's disclosures regarding their going concern assessment, banking facilities and sensitivity of the key estimates and judgements</p> <p>(e) We have assessed the recoverability of amounts owed by group undertakings</p> <p>(f) Evaluated whether the investments in subsidiary undertakings are recoverable (see also our separate impairment key audit matter).</p> <p>Our conclusion in respect of going concern is included in the "Conclusions related to going concern" section below.</p>
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### **How we tailored the audit scope**

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the company, the accounting processes and controls, and the industry in which it operates.

Our work was focused on the company's material financial statement line items, in particular investments, intangible assets, property, plant and equipment, amounts receivable from group undertakings and amounts payable to group undertakings.

### **Materiality**

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

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

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

<i>Overall company materiality</i>	45,148,000 EUR.
<i>How we determined it</i>	1% of total assets
<i>Rationale for benchmark applied</i>	We believe that total assets are considered to be appropriate as it is not a profit orientated company. The company is a holding company and therefore total assets is deemed a generally accepted auditing benchmark.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% of overall materiality, amounting to 33,861,000 EUR for the company financial statements.

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with those charged with governance that we would report to them misstatements identified during our audit above 2,257,000 EUR as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

### **Conclusions relating to going concern**

Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:

- Obtaining management forecasts and evaluating downside scenarios, including a severe but plausible scenario, and challenging the adequacy and appropriateness of the underlying assumptions; and
- Evaluating the level of the forecast liquidity and management's assessment that there would likely be a sufficient level of credit facilities for the foreseeable future.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

## ***Independent auditors' report to the members of Froneri International 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 our work undertaken in the course of the audit, the Companies Act 2006 requires 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 2020 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 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, 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 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.

### **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.

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to the Companies Act 2006 and UK tax legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries and management bias included within accounting estimates. Audit procedures performed by the engagement team included:

- Enquiry with management, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations;
- Obtaining supporting evidence for the significant assumptions and judgements made by management, particularly in respect of impairment of investments in subsidiaries and amounts receivable from group undertakings; and
- Reviewing financial statement disclosures and testing to supporting documentation, where appropriate, to assess compliance with applicable laws and regulations.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

### **Use of this report**

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.



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

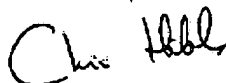
### **Other required reporting**

#### **Companies Act 2006 exception reporting**

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

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

We have no exceptions to report arising from this responsibility:



Christopher Hibbs (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Leeds  
29 July 2021

**Income statement**  
*for the year ended 31 December 2020*

	Note	2020 €'000	2019 €'000
Other operating income		282,314	160,459
Administrative expenses (including exceptional costs of €169.4m (2019: €181.4m))		(189,764)	(211,733)
Other operating expenses		(183,185)	(99,061)
<b>Operating loss</b>	3	<b>(90,635)</b>	<b>(150,335)</b>
Income from shares in group undertakings		362,563	116,079
Profit on sale of subsidiary undertakings	6	69,982	-
<b>Profit / (loss) before interest and taxation</b>		<b>341,910</b>	<b>(34,256)</b>
Interest receivable and similar income	4	93,813	23,473
Interest payable and similar expenses	4	(169,056)	(83,399)
<b>Profit / (loss) before taxation</b>		<b>266,667</b>	<b>(94,182)</b>
Tax on profit	5	(11,211)	(789)
<b>Profit / (loss) for the financial year</b>		<b>255,456</b>	<b>(94,971)</b>

The result for the current and prior year derives from continuing activities.

**Statement of comprehensive income**

*for the year ended 31 December 2020*

	Note	2020 €'000	2019 €'000
Profit / (loss) for the year		255,456	(94,971)
<b>Other comprehensive income / (expense)</b>			
<i>Items that may be subsequently reclassified to profit or loss</i>			
Cost of hedging reserve		1,442	-
Income tax relating to these items	13	(274)	-
		<b>1,168</b>	-
<b>Total other comprehensive income / (expense) for the year</b>		<b>256,624</b>	<b>(94,971)</b>

**Statement of financial position**  
**as at 31 December 2020**

	Note	2020 €'000	2019 €'000
<b>Fixed assets</b>			
Investments	6	3,362,065	1,539,499
Intangible assets	7	51,737	50,295
Property, plant and equipment	8	4,144	2,701
Right-of-use assets	9	5	8
		<b>3,417,951</b>	<b>1,592,503</b>
<b>Current assets</b>			
Trade and other receivables (including €454.8m (2019: €297.6m) due after more than one year)	10	931,829	652,675
Cash at bank and in hand		165,056	5,878
		<b>1,096,885</b>	<b>658,553</b>
Creditors: amounts falling due within one year	11	(326,928)	(653,707)
<b>Net current assets</b>		<b>769,957</b>	<b>4,846</b>
<b>Total assets less current liabilities</b>		<b>4,187,908</b>	<b>1,597,349</b>
Creditors: amounts falling due after more than one year	12	(4,149,910)	(1,881,593)
Provisions for liabilities	13	(2,510)	-
<b>Net assets / (liabilities)</b>		<b>35,488</b>	<b>(284,244)</b>
<b>Equity</b>			
Called up share capital	14	66,405	66,405
Share premium account	14	316,173	269,258
Other reserves		8,836	(8,525)
Profit and loss account		(355,926)	(611,382)
<b>Total shareholders' funds / (deficit)</b>		<b>35,488</b>	<b>(284,244)</b>

The notes on pages 21 to 50 are an integral part of these financial statements.

The financial statements on pages 17 to 50 were approved by the board of directors on 21 July 2021 and were signed on its behalf by:

  
I Najafi  
Director  
Company registered number: 05777981

**Statement of changes in equity for the year ended 31 December 2020**

	Share capital €'000	Share Premium €'000	Merger Reserve €'000	Hedging Reserve €'000	Capital Contribution Reserve €'000	Accumulated losses €'000	Total share- holders' funds/ (deficit) €'000
<b>At 1 January 2019</b>	<b>66,405</b>	<b>269,258</b>	<b>(10,049)</b>	<b>-</b>	<b>237</b>	<b>(516,411)</b>	<b>(190,560)</b>
<b>Contributions by and distributions to owners</b>							
Share-based payment	-	-	-	-	1,287	-	1,287
<b>Total contributions by owners</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,287</b>	<b>-</b>	<b>1,287</b>
<b>Comprehensive expense for the year</b>							
Loss for the year	-	-	-	-	-	(94,971)	(94,971)
<b>Total comprehensive expense for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(94,971)</b>	<b>(94,971)</b>
<b>At 31 December 2019</b>	<b>66,405</b>	<b>269,258</b>	<b>(10,049)</b>	<b>-</b>	<b>1,524</b>	<b>(611,382)</b>	<b>(284,244)</b>
<b>Contributions by and distributions to owners</b>							
Shares allotted	-	46,915	-	-	-	-	46,915
Share-based payment	-	-	-	-	16,193	-	16,193
<b>Total contributions by owners</b>	<b>-</b>	<b>46,915</b>	<b>-</b>	<b>-</b>	<b>16,193</b>	<b>-</b>	<b>63,108</b>
<b>Comprehensive income for the year</b>							
Profit for the year	-	-	-	-	-	255,456	255,456
Hedging reserve credit	-	-	-	1,168	-	-	1,168
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,168</b>	<b>-</b>	<b>255,456</b>	<b>256,624</b>
<b>At 31 December 2020</b>	<b>66,405</b>	<b>316,173</b>	<b>(10,049)</b>	<b>1,168</b>	<b>17,717</b>	<b>(355,926)</b>	<b>35,488</b>

## Notes to the financial statements

### 1. General information

The Company's principal activity during the year was as a holding company of the majority of the trading subsidiaries of the Froneri Group and is expected to remain so for the foreseeable future.

Froneri International Limited is a private company limited by shares and is incorporated and domiciled in England, in the UK. The address of its registered office is Richmond House, Leeming Bar, Northallerton, DL7 9UL.

### 2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

#### 2.1 Basis of preparation

The financial statements are presented in Euro, rounded to the nearest thousand. They are prepared on a going concern basis and under the historical cost convention, except for derivative financial instruments, money market funds and share based payments which are recorded at fair value. 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 all the years presented.

These financial statements have been prepared in accordance with United Kingdom Accounting Standards, in particular, Financial Reporting Standard 101 "Reduced Disclosure Framework (FRS 101)" and, the Companies Act 2006 (the Act). FRS 101 sets out a reduced disclosure framework for a "qualifying entity" as defined in the standard which addresses the financial reporting requirements and disclosure exemptions in the individual financial statements of qualifying entities that otherwise apply the recognition, measurement and disclosure requirements of UK-adopted IFRS.

The Company is a qualifying entity for the purposes of FRS 101. Note 16 gives details of the Company's ultimate parent and from where the consolidated financial statements prepared in accordance with IFRS may be obtained.

The principle disclosure exemptions adopted by the Company in accordance with FRS 101 are as follows:

- Statement of cash flows;
- IFRS 7 financial instrument disclosures;
- IAS 1 information on management of capital;
- IAS 8 disclosures in respect of new standards and interpretations that have been issued but which are not yet effective;
- IAS 24 disclosures in respect of related party transactions entered into between fellow group companies (the Company has no other related party transactions);
- IFRS 2 share-based payments; and
- Roll-forward reconciliations in respect of share capital (IAS 1).

The Company is a wholly owned subsidiary of Froneri Limited and is included in the consolidated financial statements of Froneri Lux Topco S.à r.l., which are publicly available. Consequently, the Company has taken advantage of the exemption from preparing consolidated financial statements under the terms of Section 400 of the Companies Act 2006.

## **Notes to the financial statements (continued)**

### **2. Summary of significant accounting policies (continued)**

#### **2.1.1. Going concern**

At 31 December 2020, the Company had net assets of €35.5 million (2019: €284.2 million net liabilities). Included in current liabilities are €0.4 million (2019: €275.0 million) of loans from parent companies which are repayable on demand.

The directors have considered this position, together with the Company and the Group's budgets, positive net current assets position. These forecasts were subject to a range of sensitivities including a severe but plausible scenario together with the likely effectiveness of mitigating actions. Such sensitivities includes any impact of further restrictions due to COVID-19. Under these sensitivities, after taking mitigating actions, the Group continues to have a sufficient level of liquidity to continue in operation and meet its liabilities as they fall due. After making appropriate enquiries, the directors consider that the Company has adequate resources to continue in operational existence for the foreseeable future and therefore continue to adopt the going concern basis for the preparation of the financial statements.

Froneri Lux Topco S.à.r.l, the ultimate parent, have provided a letter of financial support to Froneri International Ltd which will cover the foreseeable future periods and will not be withdrawn within the next 12 months.

#### **2.1.2 New standards and amendments**

There are no new accounting standards or other amendments or IFRIC interpretations that are effective for the year ended 31 December 2020 that have had a material impact on the Company's financial statements.

### **2.2 Consolidation**

The Company is a wholly owned subsidiary of its parent Froneri Limited. It is included in the consolidated financial statements of Froneri Lux Topco S.à.r.l. which are publicly available. Therefore, the Company is exempt by virtue of section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements.

These financial statements are separate financial statements.

### **2.3 Foreign currencies**

The Company's functional currency and presentation currency is the Euro. Transactions in foreign currencies are initially recorded at the spot rate ruling at the time of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to the income statement.

### **2.4 Intangible assets**

Computer software is stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation is charged on a straight-line basis over the estimated useful life of the computer software. The estimated useful life of computer software is 7 years.

## Notes to the financial statements *(continued)*

### Summary of significant accounting policies *(continued)*

#### 2.5 Property, plant and equipment

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

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

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, less any estimated residual value. The average useful life for assets is 5 years.

#### 2.6 Leases

The Company has applied IFRS16 and elected to apply the following exemptions whereby the following leases will be charged to the 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.

For all other lease agreements where the Company is the lessee, the Company recognises a right-of-use asset and a lease liability.

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 Company 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 used comprises 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 31 December 2020 the weighted average incremental borrowing rate margin applied to the discount rates for new leases was 3.5%.

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

Where agreements contain extension or termination options which can be implemented by both parties, it is assumed that the date at which the agreement can be terminated without penalty is the end of the lease agreement. Leases which contain purchase options are reassessed where the likelihood of exercising the purchase option changes. Residual value guarantees do not have a significant impact on the Company's 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 variable components are not considered to represent a significant financial risk to the Group in terms of volatility or quantum.



## Notes to the financial statements (continued)

### Summary of significant accounting policies (continued)

#### 2.6 Leases (continued)

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 is included within the capital commitments note 15 to the financial statements.

#### 2.7 Financial assets

The Company classifies its financial assets in the following categories:

- Amortised cost.
- Fair value through profit or loss (FVTPL)

The classification depends on the purpose for which the financial assets were acquired i.e. the entity's business model for managing the financial assets and/or the contractual cash flow characteristics of the financial asset. Regular way purchases and sales of financial assets are recognised on trade date, being the date on which the group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership. At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

##### **Financial assets at amortised cost**

The Company classifies its financial assets as at amortised cost only if both of the following criteria are met (and are not designated as FVTPL):

- The asset is held within a business model whose objective is to collect the contractual cash flows, and
- The contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest.

Subsequent to initial recognition these are measured at amortised cost using the effective interest method. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other (expenses)/income together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the profit or loss under 'net impairment losses on financial and contract assets'.

## Notes to the financial statements (continued)

### 2. Summary of significant accounting policies (continued)

#### 2.7 Financial assets (continued)

##### **Financial assets at fair value through profit or loss**

Financial assets that are held within a different business model other than 'hold to collect' or 'hold to collect and sell' and are categorised as fair value through profit or loss. The assets are subsequently measured at fair value with gains or losses recognised in profit or loss and presented net within other (expenses)/income in the period they arise. Fair values are determined by reference to active market or using valuation techniques where no active market exists.

The following financial assets are classified at fair value through profit or loss (FVPL):

- Debt investments that do not qualify for measurement at either amortised cost
- Equity investments that are held for trading, and
- Equity investments for which the entity has not elected to recognise fair value gains and losses through OCI.

Derivative financial instruments are measured at fair value. This fair value is determined on the basis of market data, available from external contributors. In the absence of an external benchmark, a valuation based on internal models recognised by market participants and favouring data directly derived from observable data such as Over The Counter quotations will be used.

The change in fair value of derivative financial instruments is recorded in the income statement except when they are designated as hedging instruments in a cash flow hedge. In this case, changes in the value of the hedging instruments are recognised directly in equity, excluding the ineffective portion of the hedges. Sources of ineffectiveness may include, changes in credit risk of counterparties, change in the timing of the occurrence of the cash flows being hedged, change in the notional of the hedging instruments or items, i.e. the instruments are larger than the hedged items,

Froneri use derivative financial instruments to manage and reduce its exposure to market risks arising from fluctuations in interest rates, foreign currency exchange rates. The use of derivative instruments is governed by a Group policy for managing interest rate and currency risks. Derivative instruments include currency forwards and swaps, interest rate swaps and cross currency interest rate swaps.

##### **Hedging instruments: recognition and presentation**

Derivative instruments qualifying as hedging instruments are recognised in the statement of financial position and measured at fair value. However, their accounting treatment varies according to whether they are classified as (i) a fair value hedge of an asset or liability; (ii) a cash flow hedge or (iii) a hedge of a net investment in a foreign operation. The fair value of the hedging instruments at 31 December 2020 reflects the cumulative change in the fair value of the hedging instruments since inception of the hedges.

## **Notes to the financial statements (continued)**

### **2. Summary of significant accounting policies (continued)**

#### **2.8 Investments**

Investments are stated at cost less provision for impairment losses.

#### **2.9 Impairment of financial assets**

The Company assesses on a forward-looking basis the expected credit loss associated with its financial assets. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

#### **2.10 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 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.

#### **2.11 Cash and cash equivalents**

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. In the balance sheet, bank overdrafts are shown within borrowings in creditors: amounts falling due within one year.

#### **2.12 Share capital**

Ordinary shares are classified as equity.

#### **2.13 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.

## Notes to the financial statements (continued)

### 2. Summary of significant accounting policies (continued)

#### 2.14 Current and deferred tax

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.

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.

#### 2.15 Critical accounting 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.

A significant area of estimates and judgement for the Company is the valuation of investments, the carrying value of intercompany loans and other intercompany receivables, along with the related assessment for impairment of these items. Management reviews the carrying value of the company's investments and loans annually or if a trigger for impairment arises in the period. Under IFRS 9 intercompany loan receivables are assessed for lifetime expected credit losses.

In making this assessment management perform 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.

The following table summarises the key assumptions:

	Period of cash flow projections	Annual sales growth	Annual margin	Long term growth rate	Pre-tax discount rate
USA	5 years	2.0% to 11.6%	Improvement	2.0%	4.8%
UK	5 years	-1.7% to 2.0%	Stable	1.5%	5.0%
Australia	5 years	0.2% to 5.0%	Stable	2.0%	4.9%
Germany	5 years	-3.0% to 0.9%	Improvement	2.0%	4.3%
France	5 years	-1.3% to 2.9%	Stable	2.0%	4.6%
New Zealand	5 years	0.2% to 5.2%	Improvement	2.0%	4.9%
Spain	5 years	16.8% to 22.4%	Improvement	2.0%	5.2%
Switzerland	5 years	0.0% to 2.1%	Stable	1.7%	4.4%
Other	5 years	-0.4% to 23.5%	Various	2.0%	4.6% to 25.5%

## Notes to the financial statements (continued)

### 2. Summary of significant accounting policies (continued)

#### 2.15 Critical accounting estimates and judgements (continued)

In the prior year, the following key assumptions were used:

	Period of cash flow projections	Annual sales growth	Annual margin	Long term growth rate	Pre-tax discount rate
UK	5 years	2.2% to 7.9%	Stable	1.5%	5.9%
Australia	5 years	-1.3% to 2.1%	Stable	2.0%	5.5%
Germany	5 years	-9.5% to -0.5%	Improvement	2.0%	5.5%
France	5 years	-1.8% to 2.7%	Improvement	2.0%	5.9%
New Zealand	5 years	1.4% to 1.5%	Improvement	2.0%	5.5%
Spain	5 years	1.7% to 2.1%	Stable	2.0%	6.9%
Switzerland	5 years	-0.9% to 0.0%	Stable	1.7%	5.5%
Other	5 years	1.2% to 9.8%	Various	2.0%	5.8% to 11.4%

Based on the assessments that management have performed, in the year ended 31 December 2020 the Company has recognised additional impairments of €162.1 million in respect of the carrying value of its investments (see note 3 and 6) and a net €9.6 million reversal of the provisions held in respect of the amounts receivable from group undertakings (see note 3 and 10).

If the revenue growth and margin assumptions applied were both 1% lower, and the discount rates applied were 1% higher, then the investment impairment charge for the year would be unchanged and the provision in respect of amounts receivable from group undertakings €5.1 million higher from those noted above.

Loss allowances against amounts owed by Group undertakings:

The Company holds amounts owed by other Froneri group entities. The carrying amounts of these receivables are disclosed at note 10. The decision whether to recognise a loss allowance against such receivables requires judgement in respect of the underlying operational performance and economic risks faced by other Group companies.

If it is decided that the loss allowance should be computed, such computation involves estimation of the expected loss rate. The expected loss rates are based on the payment profiles of receivables over a period of at least 36 months before the end of the relevant reporting year and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors that the Company considers would affect the ability of the counterparty to settle the receivables.

#### 2.16 Share-based payments

The Froneri Group had an equity settled share-based payment scheme, operated by Froneri Limited in January 2020, for the remainder of the year a new scheme was operated for the group by Froneri Lux Topco S.à r.l. with Froneri Limited operating as an intermediate holding company.

Share-based payment arrangements in which the Company receives goods or services as consideration for Froneri Limited's 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 capital contribution to equity, over the period that the employees become unconditionally entitled to the awards.

## **Notes to the financial statements (continued)**

### **2. Summary of significant accounting policies (continued)**

#### **2.15 Critical accounting estimates and judgements (continued)**

The grant date fair value of share-based payment awards granted to employees of subsidiary companies is recognised as an investment, with a corresponding capital contribution to equity, over the period that the subsidiaries' 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 or investment 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 or investment 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. As the scheme is operated and settled by Froneri Limited, Froneri International Limited's balance is recognised as a capital contribution.

The Group does not have any cash-settled share-based payment transactions.

#### **2.17 Exceptional items**

The Company 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.

#### **2.18 Other operating income / (expense)**

Other operating income represents income receivable from other group companies in relation to managing the group's intellectual property, including the external Nestlé and Mondelēz brand licences.

Other operating expense represents costs incurred in relation to managing the group's intellectual property, including the external Nestlé and Mondelēz brand licences.

#### **2.19 Interest income / (expense)**

Interest income / (expense) is recognised using the effective interest rate method. In calculating interest income/(expense), the effective interest rate is applied to the gross carrying amount of the asset, when the asset is not impaired or to the amortised cost of the liability for interest expense. For financial assets that have been impaired after initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer impaired the interest income calculation reverts to the gross carrying amount.

#### **2.20 Dividend income / distribution**

Dividend income is recognised when the right to receive payment is established.

Dividend distributions to the Company's shareholders are recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

#### **2.21 Rounding of amounts**

All amounts in the financial statements and notes have been rounded to the nearest thousand Euro, unless otherwise stated.

## Notes to the financial statements (continued)

### 3. Operating loss

Operating loss is stated after crediting / (charging):

	2020 €'000	2019 €'000
Other operating income	282,314	160,459
Other operating expenses	(183,185)	(99,061)
Depreciation – of owned assets	(924)	(821)
Depreciation – of leased assets	(3)	(2)
Amortisation – of other intangible assets (software)	(8,249)	(6,177)
Research and development expenses as incurred	(5,163)	(12,947)
Exceptional items	(169,351)	(181,445)

#### Other operating income

The Company is the licence holder for the Group's licensing agreements for the Nestlé and Mondelēz brands. The Company holds sub-licences with the Group's operating companies for using the licenced brands in their respective markets. During the year the Company recognised income of €281.5 million (2019: €160.5 million) in respect of managing the Group's intellectual property.

#### Other operating expenses

As the licence holder for the Group's licensing agreements for the Nestlé and Mondelēz brands, the Company incurred expenses amounting to €183.2 million (2019: €99.1 million) during the year in respect of managing the Group's intellectual property.

#### Exceptional items

	2020 €'000	2019 €'000
Investment impairment charges	162,127	12,970
IFRS 9 impairment (reversals) /charges	(9,633)	148,740
Integration and restructuring costs	816	118
M&A related transaction costs	4,922	18,101
Share based payment	10,255	-
Other exceptional items	864	1,516
	169,351	181,445

#### Impairment charges

The Company tested the recoverability of its investment values and loan receivables, including, where necessary, performing value in use calculations.

These tests resulted in the recognition of total impairment charges of €162.1 million in respect of the Company's investments in the year ended 31 December 2020 (2019: €13.0 million). As detailed in note 6, the impairments relate to the Company's investments in R&R Ice Cream Jersey Limited (€144.2 million) and Froneri Argentina SA (€17.9 million).

## Notes to the financial statements (continued)

### 3. Operating loss (continued)

#### *Impairment charges (continued)*

Under IFRS 9 intercompany loan receivables were assessed for lifetime expected credit losses. As the Group would continue to refinance the intercompany receivable balances as necessary, the provision against these loans has been calculated based on when the counterparty would have the free cashflow required to repay the loan. This is based on the aforementioned value-in-use calculations used for the investment impairment assessment. The provision calculated is the discounting impact of this delayed payment calculated using the rate applicable in the loan agreement.

Performing this analysis has resulted in a total net impairment reversal of €9.6 million in the year (2019: net impairment charge of €148.7 million). The reversal credit in the year is the net of a €13.0 million increase in the provision for amounts due from Brazil, a €2.3 million increase for amounts due from Argentina and a €7.0 million reversal of the provision for amounts due from the Adriatics.

In addition, during the year there has been a further reversal of €17.9 million relating to the amounts due from Argentina that have been capitalised in the year (see note 6).

#### *Integration and restructuring costs*

During the year the Company incurred further costs amounting to €0.8 million (2019: €0.1 million) arising from the continuing consolidation of operations, implementation of operation improvements, realignment of the business model, manufacturing footprint and structural costs, and similar restructuring activities.

#### *M&A related transaction costs*

During the year the Company recognised costs of €4.9 million (2019: £18.1 million) in respect of transaction costs for merger and acquisition activity, most notably the acquisition of Dreyer's in the USA and the related financing. In the prior year the amount included the costs associated with the acquisitions of Tip Top in New Zealand and Nestlé Israel's ice cream business.

#### **Auditors' remuneration**

	2020	2019
	€'000	€'000
Audit of financial statements	21	21
Non-audit services	27	5,810



## Notes to the financial statements (continued)

### 3. Operating loss (continued)

#### Employees

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

	Average number of employees 2020	Average number of employees 2019
Administrative and other roles	54	54
	54	54

The aggregate payroll costs of these persons were as follows:

	2020 €'000	2019 €'000
Wages and salaries	13,153	8,190
Social security costs	1,740	1,044
Other pension costs	370	276
	15,263	9,510

#### Remuneration of directors

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

	2020 €'000	2019 €'000
Directors' remuneration	2,935	2,887
Aggregate contributions to defined contribution pension schemes	252	235
	3,187	3,122

The aggregate remuneration of the highest paid director in the year was €1.67 million (2019: €1.70 million). This amount does not include any amounts received in respect of share options. A further €0.16 million was paid into the defined contribution scheme of this director.

#### Transactions with key management personnel

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

	2020 €'000	2019 €'000
Remuneration	4,789	5,270
Contributions to defined contribution pension schemes	424	430
Share based payment benefits	9,479	-
	14,692	5,700

## Notes to the financial statements *(continued)*

### 3. Operating loss *(continued)*

#### **Froneri Limited employee benefit scheme**

At the prior year end, the Group had an equity settled share-based payment scheme, operated by Froneri Limited, the ultimate holding company of the Group at that time, in which certain employees are eligible to subscribe for D ordinary shares in Froneri Limited.

Following the acquisition of the Nestle USA Ice Cream business and the insertion of the new holding company into the Group on 31 January 2020, it was agreed with the shareholders that employees could partly realise their D share holdings. This partial realisation necessitated an acceleration of the share-based payment charge during the year. A charge of €10.4 million (2019: €0.8 million) has been included in administrative expenses of this scheme in the year, of which €10.3 million has been recognised as exceptional due to the acceleration. An additional amount of €4.2 million relating to certain employees of the Company's subsidiary undertakings was also recognised in the Company's investments in the year in relation to this scheme (see note 6).

In the year ended 31 December 2020, 100 (2019: 17,727) shares were awarded to the Company's employees.

#### **Froneri Lux Topco S.à r.l. employee benefit scheme**

During the year, the Group launched a new equity settled share-based payment scheme in which certain employees were eligible to subscribe for D shares in Froneri Lux Topco S.à r.l., the ultimate holding company of the Group. Under the scheme, 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.

Under this new scheme, 2,028,867 shares were issued to individuals in the year. The total charge included in administrative expenses under this scheme in the year was €1.5 million.

**Notes to the financial statements (continued)**

**4. Interest receivable / (payable) and similar income / (expense)**

	2020 €'000	2019 €'000
<b>Interest receivable and similar income</b>		
Intercompany interest receivable	26,529	22,356
Foreign exchange gains	55,339	-
Other interest receivable	-	97
Gains on derivative financial instruments	11,945	1,020
<b>Total finance income</b>	<b>93,813</b>	<b>23,473</b>
<b>Interest payable and similar expenses</b>		
Intercompany interest payable	(145,750)	(10,597)
Term loan B interest	(3,379)	(45,127)
Foreign exchange losses	-	(23,361)
Amortisation of transaction costs	(6,723)	(808)
Write-off of unamortised transaction costs on refinancing	(5,023)	-
Other finance costs	(8,181)	(3,506)
<b>Total finance expense</b>	<b>(169,056)</b>	<b>(83,399)</b>
<b>Net finance costs</b>	<b>(75,243)</b>	<b>(59,926)</b>

**Notes to the financial statements (continued)**

**5. Tax on profit/(loss)**

	2020	2019
	€'000	€'000
<b>UK corporation tax:</b>		
Current tax arising in the year	5,763	(4,245)
Adjustments in respect of prior years	3,212	5,034
<b>Total current tax charge for the year</b>	<b>8,975</b>	<b>789</b>
<b>UK Deferred tax:</b>		
Origination and reversal of temporary differences	2,236	-
<b>Total deferred tax charge for the year (see note 13)</b>	<b>2,236</b>	<b>-</b>
<b>Total tax charge for the year</b>	<b>11,211</b>	<b>789</b>

The changes to the UK corporation tax rates, announced in the Budget on 11 March 2020, was substantively enacted on 17 March 2020. Therefore the rate applicable from 1 April 2020 remains at 19% rather than the previously enacted reduction to 17%.

The standard rate of tax for the year, based on the UK standard rate of corporation is 19% (2019: 19%). The actual tax for the year is lower (2019: higher) than the standard rate for the reasons set out in the following reconciliation:

	2020	2019
	€'000	€'000
<b>Profit / (Loss) before taxation</b>	<b>266,667</b>	<b>(94,182)</b>
Tax on profit / (loss) before taxation at UK standard rate of 19% (2019: 19%)	50,667	(17,895)
<i>Factors affecting charge for the year:</i>		
Non-deductible expenses	6,169	1,870
Non-deductible impairment charge	25,419	30,725
Non-deductible interest	10,442	3,053
Non-taxable income	(77,857)	(22,055)
Non-taxable foreign exchange gains	(12,390)	-
Withholding taxes on income from foreign sources	5,549	57
Adjustments in respect of prior years	3,212	5,034
<b>Total tax charge for the year</b>	<b>11,211</b>	<b>789</b>

The UK group has an accounting policy to charge fellow UK undertakings for group relief.

The total losses not recognised in the deferred tax provision are €2.2million (2019: €nil).

## Notes to the financial statements (continued)

### 6. Investments

	Shares in subsidiary undertakings €'000
<b>Cost</b>	
At 1 January 2019	1,570,250
Additions	110,788
<b>At 31 December 2019</b>	<b>1,681,038</b>
Additions	1,998,801
Disposals	(14,108)
<b>At 31 December 2020</b>	<b>3,665,731</b>
<b>Provision for impairments</b>	
At 1 January 2019	(128,569)
Impairment	(12,970)
<b>At 31 December 2019</b>	<b>(141,539)</b>
Impairment	(162,127)
<b>At 31 December 2020</b>	<b>(303,666)</b>
<b>Net book value</b>	
At 31 December 2019	1,539,499
<b>At 31 December 2020</b>	<b>3,362,065</b>

#### Additions

During January 2020 the Company subscribed for 100% of the issued share capital of Froneri US, Inc. for total consideration of €1,785.8 million. On 31 January 2020, Froneri US, Inc. acquired the entire activities of Dreyer's Grand Ice Cream Holdings, Inc. and its subsidiaries (together 'Dreyer's'), Nestlé USA's ice cream business for \$4,018.0 million (including final completion payments).

During the year the Company acquired 100% of the issued share capital of Payco Foods Corporation for total consideration of €11.3 million. Payco Foods Corporation manufactures Nestlé licensed ice cream products in Puerto Rico. The business was acquired from Nestlé for an equity value of US\$50.0 million (including final completion payments).

During the year the Company subscribed for 100% of the issued share capital of Froneri UK Finco (N2D) Limited for total consideration of €131.7 million.

During the year the Company subscribed for 100% of the issued share capital of Froneri UK Finco Limited for total consideration of €33.8 million.

During the year the Company acquired 100% of the issued share capital of Findus Switzerland AG for consideration of €14.1 million in the form a dividend in kind from the subsidiary undertaking Froneri Switzerland SA. The frozen foods assets of Froneri Switzerland SA were contributed into Findus Switzerland AG.

During the year, as part of a debt to equity swap transaction, the Company subscribed for additional equity shares in Froneri Argentina SA with a value of €17.9 million for the settlement of an intercompany loan balance.

## Notes to the financial statements *(continued)*

### 6. Investments *(continued)*

#### Additions *(continued)*

Share based payments of €4.2 million relating to certain employees of the Company's subsidiary undertakings also increased the Company's investments in the year.

#### Disposals

On 31 December 2020 the Company disposed of 100% of the issued share capital of Findus Switzerland AG for consideration of €84.1 million, net of the associated transaction costs, resulting in a net profit on disposal of €70.0 million.

#### Impairments

The Company has recognised an impairment charge against investments of €162.1 million in the year (2019: €13.0 million). As set out in note 2.15 and 3, the Company tested the recoverability of its investment values and loan receivables (note 10), including, where necessary, performing value in use calculations.

Cash flow forecasts are based on the budget and a three-year strategic plan approved by the Group's Board. The growth rates and margins used to estimate future performance are based on past performance and management's experience of growth rates and margins achievable in key markets.

Discount rates used were post tax and reflect the specific risks relating to each cash generating unit. The key assumptions underpinning the forecasts are based on anticipated revenue and gross margin into perpetuity, since management believes this gives a true reflection of the anticipated cash flows of the business. The growth rates used are consistent with the prudent end of the range of assumptions from the group's annual budget and strategic planning process.

Terminal value is calculated using a perpetuity growth rate based on the cash flow forecast for the terminal year. The forecast growth rate used for the years beyond the strategic plan and for perpetuity is 2%, which management consider does not exceed long term average growth rates for the group's markets.

## Notes to the financial statements (continued)

### 6. Investments (continued)

#### List of investments

The Company has 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
<b>Europe:</b>					
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 No2 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 Plouédern	T	EUR	France	100%
Contesse Hackwaren Vertrieb GmbH	Wasserweg 39, 64521 Groß-Gerau	T	EUR	Germany	100%
Durigon Gelato GmbH	Eduard-Pestel Str 15, D-49080 Osnabrück	D	EUR	Germany	100%
Erlenbacher Hackwaren 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	94%
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	94%
Froneri Schöller Produktions GmbH	Nordwestring 201 90419 Nürnberg	T	EUR	Germany	100%
Janny's Iis Franchise GmbH	Hittfelder Kirchweg 21, D-21220 Seevetal-Maschen	T	EUR	Germany	100%
L'Italiano Ice Cream GmbH *	Eduard-Pestel Str 15, D 49080 Osnabrück	D	EUR	Germany	100%

## Notes to the financial statements (continued)

### 6. Investments (continued)

Subsidiaries	Registered address	Activity	Currency	Country of Incorporation	Ownership Interest
<i>Europe (continued):</i>					
Nord-Eis-die Eisprofis GmbH *	Eduard-Pestel Str 15, D-49080 Osnabrück	D	EUR	Germany	100%
Froneri Ice Cream Deutschland GmbH	Eduard-Pestel Str 15, D-49080 Osnabrück	T	EUR	Germany	100%
R&R Holdings Deutschland GmbH	Eduard-Pestel Str 15, D-49080 Osnabrück	H	EUR	Germany	100%
Prima-Eis GmbH *	Eduard-Pestel Str 15, D-49080 Osnabrück	D	EUR	Germany	100%
Weidenglück UG (haftungsbeschränkt) & Co KG	Eduard-Pestel Str 15, D-49080 Osnabrück	H	EUR	Germany	100%
Froneri Hellas Ice-Cream SA	3, Kerkiras str., 17778 Tavros, Attika, Greece	T	EUR	Greece	100%
R&R Ice Cream Ireland Limited	25 - 28 North Wall Quay, Dublin 1 D01 H104	D	EUR	Ireland	100%
Froneri Holding Spa	Corso G. Garibaldi no. 49, 20121 Milan	H	EUR	Italy	100%
Estigel 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. Mellier, Jersey JE4 9WG	H	AUD	Jersey	100%
Froneri Malta Limited *	Pontar Road, Uja, 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	Russian Federation, 115054, Moscow, Kosmodamianskaya naberezhnaya, 52, bld. 1, 4 floor, ap. 2, office 4	T	RUB	Russia	100%
Froneri Adriatic doo Stara Pazova	Stara Pazova, Banovački put bb, 22300, Belgrade, Stara Pazova	T	RSD	Serbia	100%
Froneri Iberia SL	Zona Industrial Arala, C/ Intxerdul, 5, 01250 ARAIA (Álava)	T	EUR	Spain	100%
Froneri Switzerland SA	Blumenfeldstrasse 15, 9403 Goldach, Switzerland	T	CHF	Switzerland	100%



## Notes to the financial statements (continued)

### 6. Investments (continued)

Subsidiaries	Registered address	Activity	Currency	Country of incorporation	Ownership interest
Europe (continued):					
Froment South Africa Holdings Limited	Richmond House, Leeming Bar, Northallerton, North Yorkshire, DL7 9UL	H	ZAR	United Kingdom	100%
Kelly's of Cornwall 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%
R&R Ice Cream UK Limited	Richmond House, Leeming Bar, Northallerton, North Yorkshire, DL7 9UL	T	GBP	United Kingdom	100%
R&R Plk Limited (formerly R&R Plk 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 Ice Cream 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%
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%
Windsor Creameries Manufacturing Limited	Richmond House, Leeming Bar, Northallerton, North Yorkshire, DL7 9UL	D	GBP	United Kingdom	100%
Froment UK Finco Limited	Richmond House, Leeming Bar, Northallerton, North Yorkshire, DL7 9UL	H	EUR	United Kingdom	100%
Africa:					
Froment Ice Cream Egypt SAE	Summit 250, 90 El Shamsi Street, 5th Settlement, New Cairo	T	EGP	Egypt	100%
Froment South Africa (Pty) Limited	14 Spinner Road, Clayville, Orlamstonn, Gauteng, 1655	T	ZAR	South Africa	100%

## Notes to the financial statements (continued)

### 6. Investments (continued)

Subsidiaries	Registered address	Activity	Currency	Country of incorporation	Ownership interest
<b>Rest of the world:</b>					
Froneri Argentina SA	Av. Leandro N. Alem 356, Piso 13 <sup>o</sup> - Buenos Aires, Argentina	T	ARS	Argentina	100%
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 Brasil Distribuidora de Sorvetes e Congelados Ltda	Estrada dos Bandeirantes 4935, Jacarepaguá, CEP 22775-113, Rio de Janeiro	T	BRL	Brazil	100%
Froneri Israel Ltd	P O B 934, Shoham, 6085001 Israel	H	ILS	Israel	100%
Noga Ice Cream Ltd	P O B 934, Shoham, 6085001 Israel	T	ILS	Israel	100%
Noga Ice Creams Limited Partnership	P O B 934, Shoham, 6085001 Israel	H	ILS	Israel	100%
Froneri NZ Ltd	113 Carbine Road, Mount Wellington, Auckland 1060, New Zealand	H	NZD	New Zealand	100%
Tip Top Ice Cream Company Ltd	113 Carbine Road, Mount Wellington, Auckland 1060, New Zealand	T	NZD	New Zealand	100%
Tip Top Investments Ltd	113 Carbine Road, Mount Wellington, Auckland 1060, New Zealand	H	NZD	New Zealand	100%
Froneri Philippines Inc	National Highway, Barangay Tibag, Pulitan, Bulacan, Philippines, 3005	T	PHP	Philippines	99.998%
Froneri US, Inc.	C/O Corporation Service Company, 251 Little Falls Drive, Wilmington, New Castle, Delaware 19808	H	USD	United States	100%
Payco Foods Corporation	Zona Industrial Corujo Carr. #2 km 15.1, Street C #42 Bayamon PR 00961	T	USD	Puerto Rico	100%
Dreyer's Grand Ice Cream Holdings, Inc.	5929 College Avenue Oakland, CA 94618-1391	H	USD	United States	100%
Dreyer's Grand Ice Cream, Inc.	5929 College Avenue Oakland, CA 94618-1391	T	USD	United States	100%
The Haagen-Dazs Shoppe Company, Inc.	500 Washington Ave S #2040, Minneapolis, Minnesota 55415	T	USD	United States	100%

**Notes to the financial statements (continued)**

**6. Investments (continued)**

H – denotes an intermediate holding or financing 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.

\* These entities were dissolved or liquidated in the year. Notice of liquidation was given for the UK entities in December 2020. Froneri Rus Holding GmbH was merged in May 2020 with Froneri Schöller GmbH. L'Italiano IceCream GmbH and Prina-Eis GmbH were merged into Froneri Deutschland GmbH during the year. Nord-Eis-die Eisprofis GmbH was merged into R&R Holdings Deutschland GmbH during the year. Pilpa SAS was merged into Froner Vayres SAS in December 2020.

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

Weidengluck UG (haftungsbeschränkt) & co KG and Noga Ice Creams Limited Partnership are limited partnerships.

Ownership Interest in the above entities are all ordinary shares. Froneri International 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.

**Notes to the financial statements (continued)**

**7. Intangible assets**

	<b>Computer software €'000</b>
<b>Cost</b>	
At 1 January 2020	60,451
Additions	9,691
<b>At 31 December 2020</b>	<b>70,142</b>
<b>Accumulated Amortisation</b>	
At 1 January 2020	(10,156)
Amortisation charge for the year	(8,249)
<b>At 31 December 2020</b>	<b>(18,405)</b>
<b>Net book value</b>	
At 31 December 2019	50,295
<b>At 31 December 2020</b>	<b>51,737</b>

Notes to the financial statements (continued)

8. Property, plant and equipment

	Plant and equipment €'000	Assets under construction €'000	Total €'000
<b>Cost</b>			
At 1 January 2020	4,051	-	4,051
Additions	1,781	586	2,367
<b>At 31 December 2020</b>	<b>5,832</b>	<b>586</b>	<b>6,418</b>
<b>Accumulated depreciation and impairment</b>			
At 1 January 2020	(1,350)	-	(1,350)
Depreciation charge for the year	(924)	-	(924)
<b>At 31 December 2020</b>	<b>(2,274)</b>	<b>-</b>	<b>(2,274)</b>
<b>Net book value</b>			
At 31 December 2019	2,701	-	2,701
<b>At 31 December 2020</b>	<b>3,558</b>	<b>586</b>	<b>4,144</b>

9. Right-of-use assets

	Office equipment €'000
<b>Cost</b>	
At 1 January 2020	10
Additions	-
<b>At 31 December 2020</b>	<b>10</b>
<b>Accumulated depreciation and impairment</b>	
At 1 January 2020	(2)
Depreciation charge for the year	(3)
<b>At 31 December 2020</b>	<b>(5)</b>
<b>Net book value</b>	
At 31 December 2019	8
<b>At 31 December 2020</b>	<b>5</b>

**Notes to the financial statements (continued)**

**9. Right-of-use assets (continued)**

**Amounts recognised in the income statement**

The income statement shows the following amounts relating to leases:

<b>Cost</b>	<b>2020 €'000</b>	<b>2019 €'000</b>
<b>Depreciation charge of right-of-use assets</b>		
Equipment	3	2
	<b>3</b>	<b>2</b>
<b>Interest expense included in finance costs</b>	<b>1</b>	<b>1</b>
Future minimum lease payments as at 31 December are as follows:		
Not later than one year	4	4
Later than one year and not later than five years	2	6
Later than five years	-	-
<b>Total gross payments</b>	<b>6</b>	<b>10</b>
Impact of finance expenses	(1)	(1)
<b>Carrying amount of liability</b>	<b>5</b>	<b>9</b>

The total cash outflow for the lease in the year was £3,000 (2019: £2,000).

**10. Trade and other receivables**

	<b>2020 €'000</b>	<b>2019 €'000</b>
Amounts owed by group undertakings	783,203	609,099
Amounts owed by parent undertakings	128,716	-
Prepayments and accrued income	9,979	3,780
Other debtors	8,983	39,796
Derivative financial instruments	948	-
	<b>931,829</b>	<b>652,675</b>

Included in the above balances are €454.8 million (2019: €297.6 million) of amounts owed by group and parent undertakings falling due in more than one year.

The derivative financial instruments are valued by reference to published market prices of exchange rates.

## Notes to the financial statements (continued)

### 10. Trade and other receivables (continued)

The amounts owed by group undertakings includes:

- On the creation of the Froneri Group in 2016 the Company issued loans to subsidiary entities to fund the acquisition of certain ice cream and other frozen food trade and assets from Nestlé entities. At 31 December 2020 a total of €189.6 million of these loans remained outstanding (2019: €179.1 million). These loans bear interest at varying rates: mainly 4.7%. Interest is payable quarterly in arrears and €157.0 million of the principal amounts are due for repayment in 2021. The interest accrued at 31 December 2020 was €9.7 million (2019: €9.6 million). The loans are repayable on written notice by the Company. The borrower, on agreement with the Company, can also make repayments at any time.
- €76.9 million of loans denominated in Israeli Shekels. The loans were issued during the year ended 31 December 2019 to fund the investment in Nestlé Israel's ice cream business (2019: €78.5 million). The loans accrue interest at 7.27%, with €1.7 million accrued at 31 December 2020 (2019: €1.9 million), and are due for repayment in 2024.
- €67.7 million (2019: €72.7 million) of structural intra group debt relating to loans issued to R&R Holdings Deutschland GmbH. This loan accrues interest at 4.2%, payable semi-annually and is due for repayment in 2028. The interest accrued at 31 December 2020 was €0.4 million (2019: €0.5 million).
- €143.0 million of structural intra group debt relating to a loan issued to Riviera Holdings (AUS) Pty Ltd during 2020. The loan accrues interest at 4.76%, with €0.9 million accrued at 31 December 2020, and is due for repayment in 2028.
- €198.2 million (2019: €85.6 million) of various intercompany loans which bear interest at rates of between 2.8% to 5.7%. €142.9 million of this amount is due within one year and is repayable on demand. €40.0 million accrues interest at 3.9% and is repayable in 2024. The interest accrued at 31 December 2020 was €3.4 million (2019: €4.3 million).
- €82.5 million (2019: €176.9 million) of other non-interest-bearing intercompany balances due from fellow group undertakings repayable on demand.
- At 31 December 2020 there were impairment provisions of €170.2 million (2019: €184.0 million) included against the total receivables as a result of applying the loss allowance requirements of IFRS 9: Financial Instruments (see note 3).
- In addition, as referred to in notes 11 and 12, the company entered interest rate swaps totalling USD 740 million loans to fix the interest rate for US denominated loans in Froneri US Inc. The derivative is back to back and as such held as an external derivative for Froneri International with a corresponding intercompany receivable due from Froneri US Inc. The balance at 31 December 2020 was USD 11.2 million (€9.2 million), with USD 5.9 million (€4.8 million) due in greater than one year.

The amounts owed by parent undertaking includes €54.3 million of other non-interest-bearing intercompany balances and a new intercompany loan arrangement with its parent undertaking, Froneri Limited. The non-interest bearing intercompany balances are repayable on demand. In addition the company entered a new intercompany loan arrangement with it and the loan accrues interest at 4% per annum and has a maturity of 18 November 2030. The closing balance at 31 December 2020 was €74.4 million.

The Company typically uses contracts to mitigate foreign currency exposure on trading. At 31 December 2020 there were 37 such contracts (2019: 32 contracts) outstanding. The net fair value of these contracts at 31 December 2020 was an asset of €0.9 million (2019: liability of €0.6 million – see note 11).

## Notes to the financial statements (continued)

### 11. Creditors: amounts falling due within one year

	2020	2019
	€'000	€'000
Interest accrued on external loans	-	1,338
Transaction costs	(7,334)	(901)
Accruals and other creditors	22,374	36,858
Amounts owed to parent undertakings	352	274,925
Amounts owed to group undertakings	251,619	319,590
Trade payables due to related parties	52,036	21,260
Derivative financial instruments	7,877	633
Lease liability (see note 9)	4	4
	<b>326,928</b>	<b>653,707</b>

The amount owed to parent undertakings at 31 December 2020 includes

- €0.3 million of cash pooling arrangements (2019: €0.3m).
- During the year the Company refinanced €274.6 million of existing intercompany loans due to Froneri Limited. The new intercompany loan agreement accrues interest at 4% per annum and matures on 3 May 2030. It is included in the amounts owed to parent undertakings falling due after more than one year (see note 12).

Included in amounts owed to group undertakings:

- €30.4 million (2019: €22.3 million) of other non-interest-bearing intercompany balances due to fellow group undertakings repayable on demand.
- €6.8 million in relation to the new €675.7 million USD denominated intercompany loan (see note 12) and €0.3 million of accrued interest on this loan.
- €211.7 million (2019: €140.7 million) of cash pooling balances. These are non-interest bearing loans and are repayable on demand.
- €nil (2019: €154.4 million) revolver bearing interest of between 0% and 1% on a rolling maturity with accrued interest of €2.4 million (2019: €2.5 million).

During the year, transaction costs of €51.2 million, incurred as part of the Company's restructuring to finance the Dreyer's acquisition, have been capitalised. At 31 December 2020, €6.7million has been amortised and in addition, the carrying value of the unamortised transaction costs of €5.0 million was written off for the Terms loans, which were settled as part of the restructuring (see note 4). The transaction costs capitalised during the year originated as part of an external loan within Lux Finco S.à r.l, which have been subsequently withheld through to an intercompany loan with Froneri International Limited.

The Company currently holds interest rate swaps totalling USD 740 million loans to fix the interest rate. Currently this is valued at a liability position of USD 11.2 million with the offset as a cashflow hedging reserve. However, these interest rate swaps are back to back with Froneri US Inc and as such there is an equal amount due from Group undertakings as per note 10. The current portion as at 31 December 2020 is USD 5.3m (EUR 4.4m).

The entity also entered into a series of cross currency interest rate swaps, swapping USD 510.0 million to GBP 390.4 million and USD 325.0 million to AUD 485.4 million, in order to better match the underlying cashflows. This holds a liability position of EUR 63.2m at 31 December 2020 with EUR 3.5m being included as short term.



**Notes to the financial statements (continued)**

**12. Creditors: amounts falling due after more than one year**

	2020 €'000	2019 €'000
Term Loans	-	1,682,631
Amounts owed to parent undertakings	1,028,863	203,080
Amounts owed to group undertakings	3,093,826	-
Transaction costs	(37,193)	(4,123)
Lease liability (see note 9)	2	5
Derivative financial instruments	64,412	-
	<b>4,149,910</b>	<b>1,881,593</b>

As detailed in the Strategic Report and note 6, on 31 January 2020 the Company and Froneri Group acquired Dreyer's Grand Ice Cream Holdings, Inc and its subsidiaries (together 'Dreyer's'), Nestlé USA's ice cream business for \$4,018.0 million (including final completion payments).

Due to the associated refinancing of the above transaction, the Company repaid all of its external Term Loans, with additional intercompany financing arrangements put in place. As part of the refinancing, the remaining unamortised amount of the transaction costs relating to these loans have been expensed in 2020.

At 31 December 2020 the Company had in place a €2,180.0 million € denominated intercompany loan, which accrues interest at 2.625%, a €245.0 million € denominated intercompany loan, which accrues interest at 5.75%, and a €675.7 million USD denominated intercompany loan (\$830.8 million), which accrues interest at 2.363%, owed to the fellow group undertaking Froneri Lux Topco S.à r.l.. These loans due to Froneri Lux Topco S.à r.l. all have a maturity of 7 years from the date of refinancing. However, in relation to the USD denominated intercompany loan, €6.8m is due in falling due for repayment in less than one year (note 11).

Amounts owed to parent undertakings includes a €496.3 million loan (2019: €203.1 million), which accrues interest at 4.0% and is repayable in 2030 and a €491.3 million USD denominated intercompany loan (USD 600.0 million) which accrues interest at 9.0% and is repayable in 2027. The interest accrued at 31 December 2020 was €41.3 million (2019: €nil).

During the year, transaction costs of €51.2 million, incurred as part of the Company's restructuring to finance the Dreyer's acquisition, have been capitalised. At 31 December 2020, €6.7million has been amortised and in addition, the carrying value of the unamortised transaction costs of €5.0 million was written off for the Terms loans, which were settled as part of the restructuring (see note 4). The transaction costs capitalised during the year originated as part of an external loan within Lux Finco S.à r.l, which have been subsequently withheld through to an intercompany loan with Froneri International Limited.

As per above the non-current portion of the interest rate swaps and cross currency interest rate swaps are a liability position of USD 5.9m (EUR 4.8m) and EUR 59.6m respectively.

The Company has EUR 245m, EUR 2,180m and USD 835m of senior secured notes (the "Notes") in issue as at the year end. The notes are listed on The International Stock Exchange for which the Company is the issuer and a subsidiary of ultimate parent company is the subscriber (Froneri Lux Finco S.à r.l). Interest on notes accrues at rate of 5.75%, 2.625% and 2.397% payable periodically but not exceeding 6 months. The EUR 2,180m and USD 835m notes are due to be repaid in full on 31 January 2027. Per note 17, early repayment of the EUR 245 million listed debt was settled in June 2021.

## Notes to the financial statements (continued)

### 13. Provisions for liabilities

	Deferred tax provision €'000
<b>At 1 January 2020</b>	-
Recognised in income (see note 5)	2,236
Recognised in equity	274
<b>At 31 December 2020</b>	<b>2,510</b>

	2020 €'000	2019 €'000
<b>Deferred tax liabilities due in more than 12 months</b>	<b>2,510</b>	-

### 14. Called up share capital and share premium account

	Called up share capital €000	Share premium account €000	Total €000
On issue and fully paid at 1 January 2020	66,405	269,258	335,663
Allotment of shares	-	46,915	46,915
<b>On issue and fully paid at 31 December 2020</b>	<b>66,405</b>	<b>316,173</b>	<b>382,578</b>

#### Ordinary shares

The Company has the following classes of ordinary shares: A Ordinary Euro Shares; Ordinary Euro Shares and Ordinary Sterling Shares.

At 31 December 2020 there are 4,223,048 A Ordinary Euro shares (2019: 4,223,048), 62,182,505 Euro Ordinary Shares (2019: 62,182,504) and 2 GBP ordinary shares (2019: 2) allotted and fully paid up.

The Euro A Ordinary Shares and Euro Ordinary Shares are entitled to voting rights, with one vote per share. The Sterling ordinary shares do not have any voting rights.

**Notes to the financial statements (continued)**

**15. Commitments and contingent liabilities**

The Company has no commitments or contingent liabilities at 31 December 2020 (2019: €nil).

**16. Ultimate parent company**

At 31 December 2020 the immediate parent company of the Company was Froneri Limited, a private company incorporated in England and Wales.

On 31 January 2020, Froneri Lux Topco S.à r.l., which is incorporated, domiciled and registered in Luxembourg, became the ultimate parent company of the Group.

The largest and smallest group of undertakings for which consolidated financial statements are prepared is Froneri Lux Topco S.à r.l. These financial statements are available from Richmond House, Leeming Bar, Northallerton, North Yorkshire, DL7 9UL.

At 31 December 2020 the Group was jointly owned by Nestlé SA, a company listed on the Swiss stock exchange, and funds managed by PAI Partners SAS, a private equity firm based in Paris, France.

**17. Events after the end of the reporting period**

On 4 June 2021 the Company repaid the €245.0 million € denominated intercompany loan owed to the fellow group undertaking Froneri Lux Topco S.à r.l. and associated accrued interest.

