Total Produce

Let's Grow Together

# A company for all seasons

**Total Produce plc** Annual Report and Accounts 2013

We are Europe's leading fresh produce provider involved in the growing, sourcing, importing, packaging, marketing and distribution of hundreds of lines of fresh fruits, vegetables and flowers.

# Total Produce is a 'Company for all seasons'. One of our greatest strengths is our ability to adapt successfully to changing economic, environmental and operational circumstances. We thrive because we are diverse, flexible, innovative and responsible.

**Total Revenue**[1]
€3,175m
+13.0%

**Adjusted EBITDA**[1]
€74.1m
+6.7%

**Adjusted EBITA**[1]
€58.7m
+9.4%

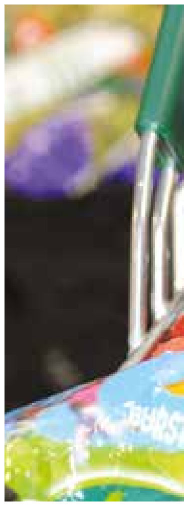
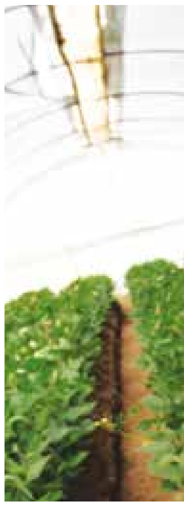
**Adjusted EPS**[1]
8.77 cent
+10.5%

**Shareholders' Equity**
€217.4m
+15.7%

**Dividend per Share (Total)**
2.2727 cent
+9.3%

1 Key performance indicators are defined on page 5.



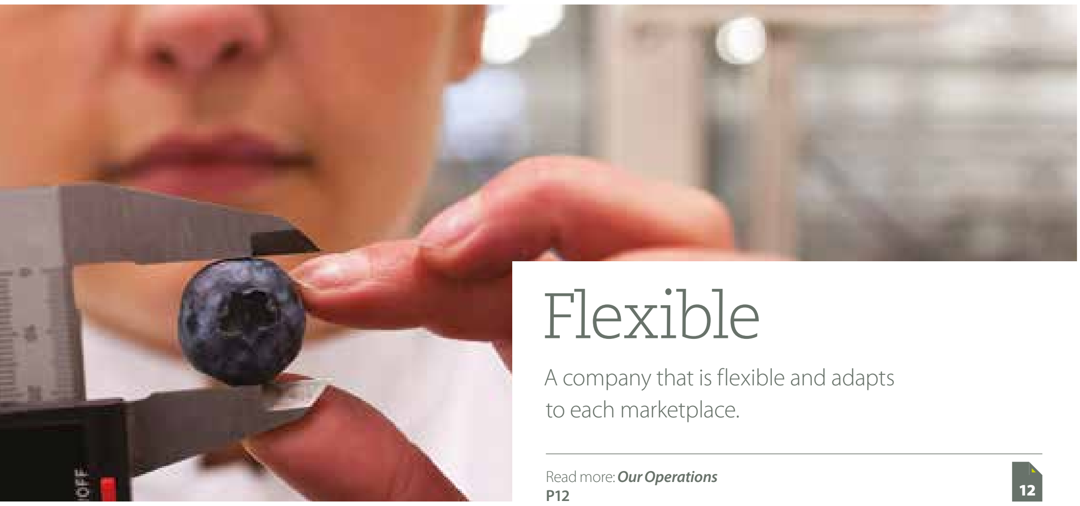
**Forward-looking statements**
Any forward-looking statements made in the annual report have been made in good faith based on the information available as of the date of the report and are not guarantees of future performance. Actual results or developments may differ materially from the expectations expressed or implied in this report, and the company undertakes no obligation to update any such statements whether as a result of new information, future events or otherwise. Outlined on page 40 of this report are important factors that could cause these developments or the Company's actual results to differ materially from those expressed or implied in these forward-looking statements.

# Diverse

A company for all seasons, providing a diverse range of produce 365 days a year.

Read more: ***Our Products***
**P8**

8



# Flexible

A company that is flexible and adapts to each marketplace.

Read more: ***Our Operations***
**P12**

12


# Innovative

Through innovation we add value and inspire increased consumption of produce.

Read more: ***How Our Business Works***
**P16**

16

# Responsible

Our commitment to Corporate Social Responsibility extends from seed to store.

Read more: ***Corporate Social Responsibility***
**P20**

20

# Inside this report

## Overview



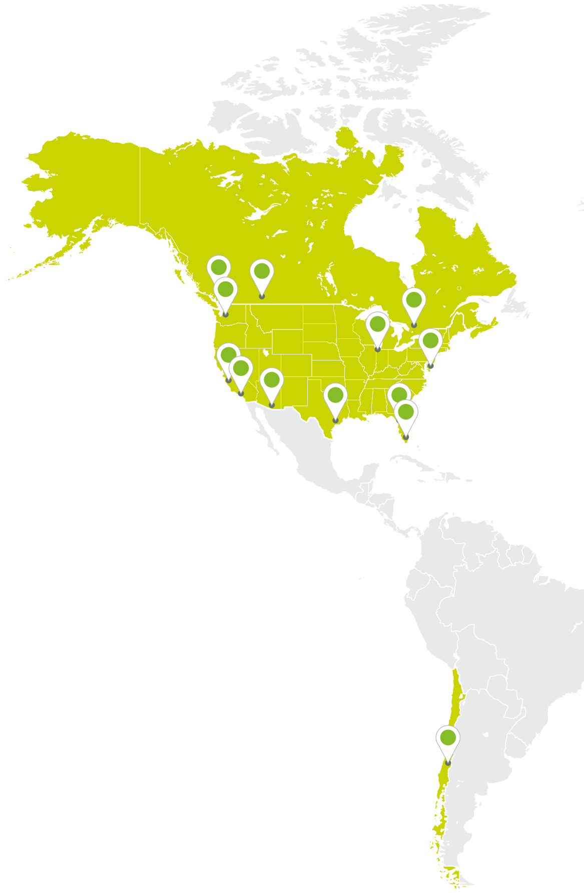
## Business Review



## Financial Statements

## What We Do and Where We Do It

# A global business with local knowledge



Total Produce is one of the world's largest and most accomplished fresh produce providers. Operating out of 20 countries while serving many more, Total Produce's global infrastructure of over 100 depots extends across Europe, India and North America.

Growing, sourcing, importing, packaging, marketing and distributing over 200 lines of fresh produce, Total Produce's range extends from the more familiar to the truly exotic. Serving the wholesale, foodservice and retail sectors, Total Produce is a complete fresh produce solution provider – offering a comprehensive menu of services to our customers ranging from simple service provision to complete category management.

Distributing over 300m cartons of fresh fruits and vegetables annually, Group size and reach across the supply chain brings together the collective resources of a global multi-national with the market expertise of local management; generating synergies, creating efficiencies and adding value. In customising our supply chain, we strive to translate our competitive advantages: our people, our suppliers, our infrastructure and our relationships – into value for our customers; delivering to them a superior service and to the consumer, produce which exceeds expectations.

1

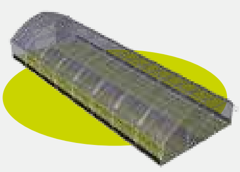
### Growing and New Product Development

Investing in innovation. Embracing change. Pursuing the different.

2

### Procurement

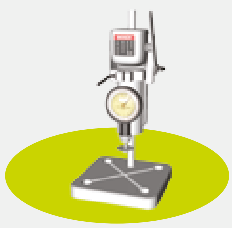
The most accomplished growers. The very best farms. The closest of relationships.



3

### Agronomic Support

Best agricultural practices. Exacting standards. On the ground resources. Superior quality produce.



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### Importation and Quality Assurance

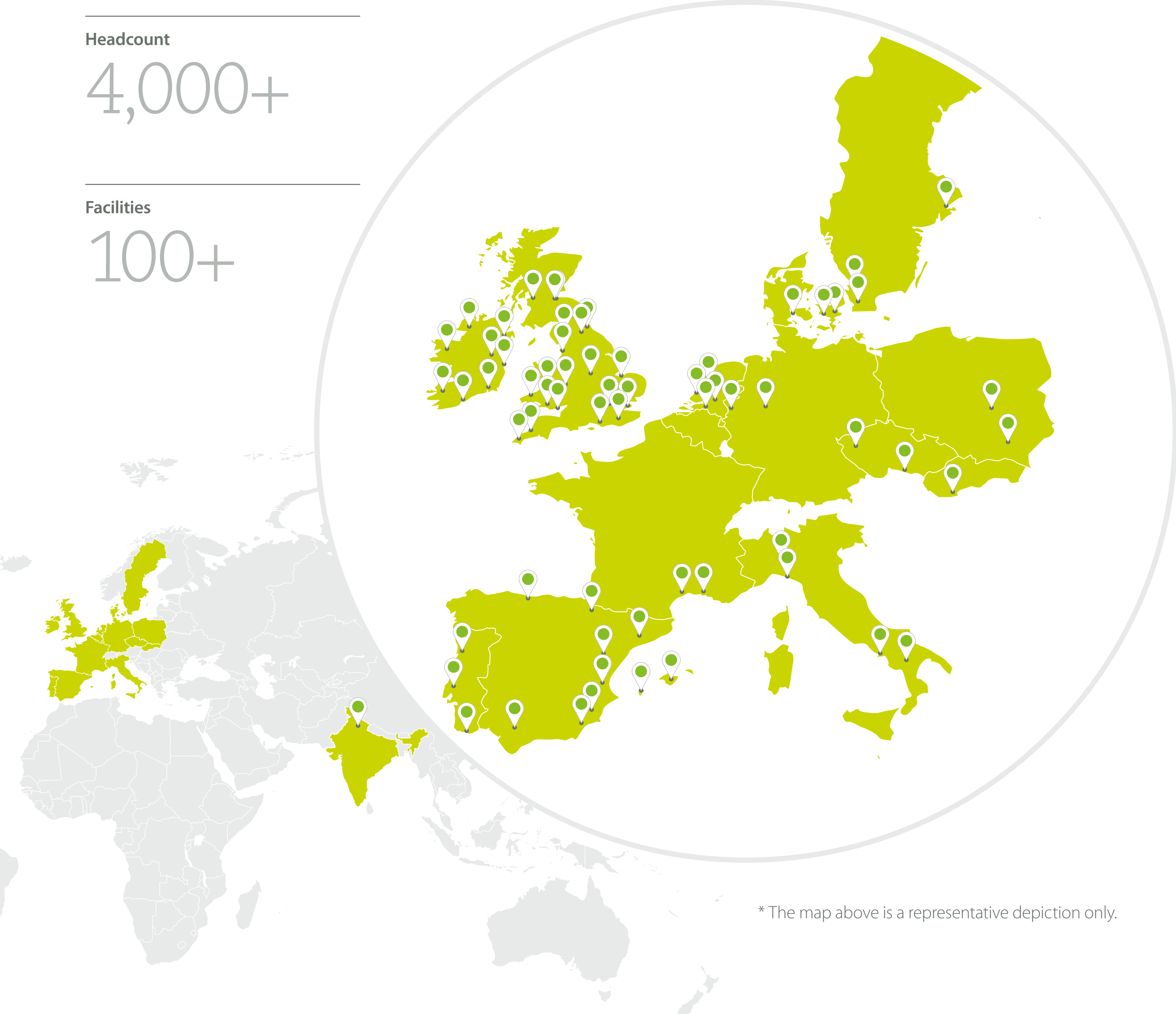
Simplifying supply. Meeting demand. Exceeding expectations.

Headcount

4,000+

Facilities

100+



* The map above is a representative depiction only.

5

## Storage, Order Assembly and QC

Embracing technology. Extracting costs. Delivering efficiencies. Generating value.

6

## Distribution

The reach to deliver. The flexibility to customise. The synergies to compete.

7

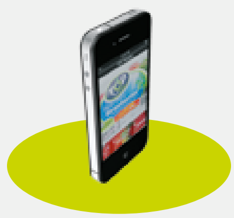
## Corporate Social Responsibility

Ethical trading. Environmental awareness. Sustainable production. Safe produce.

8

## Marketing

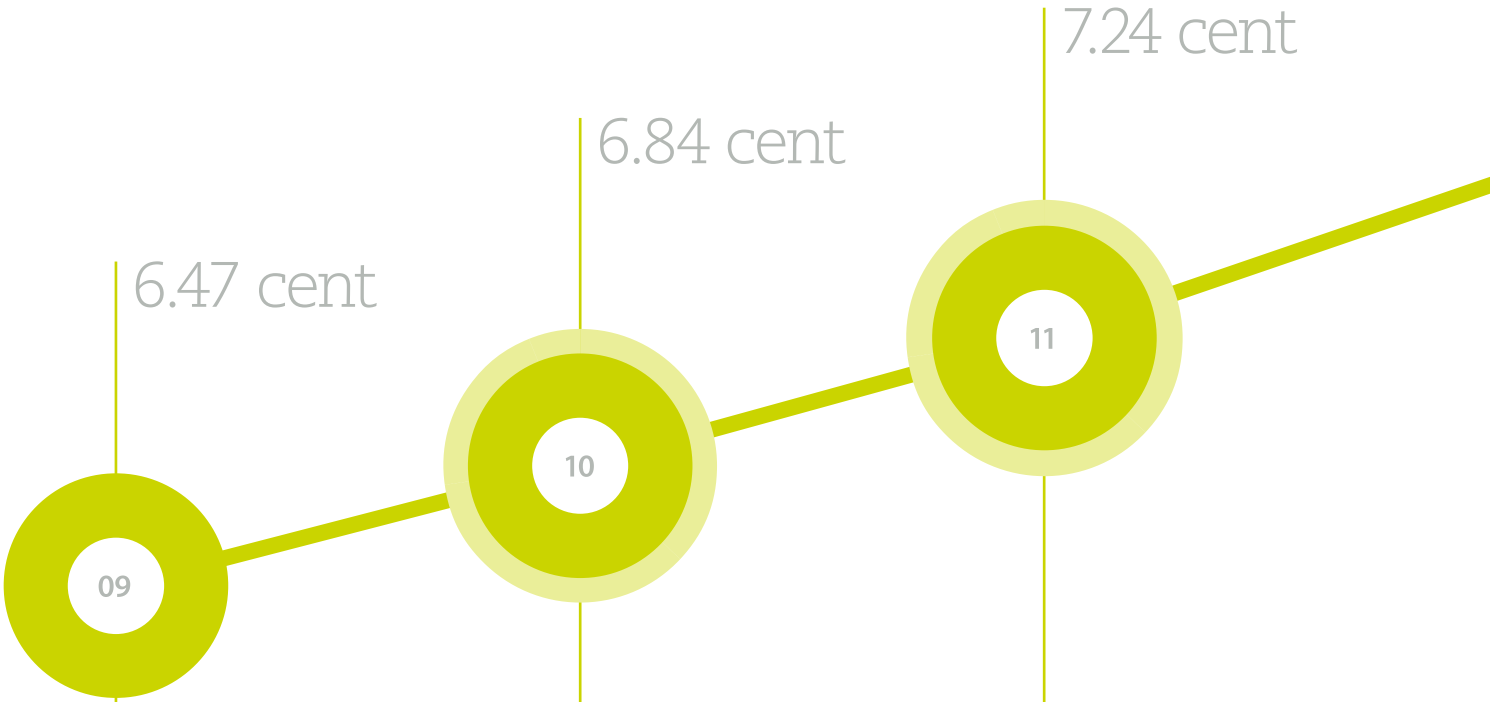
Listening. Innovating. Delivering a competitive advantage.



## Growth Summary 2009-2013

# Increased growth

2013 was a very successful year for the Group with continued growth in all key performance metrics with the benefit of acquisitions and organic growth. In the five year period from 2009 to 2013, total revenue has grown 6.9% per annum and adjusted earnings per share has grown by 7.9% per annum.




**2010**
Adjusted EPS grew 5.7% in 2010 which reflected the strength and broad base of the Group's operations against a background of tougher economic conditions in certain locations.

**2011**
Adjusted EPS grew 5.8% in 2011 which was a strong result in a year of challenging trading conditions due to the prolonged impact of the EHEC scare in May 2011. The results were assisted by a share buyback completed in November 2010.

### Key Performance Indicators Defined

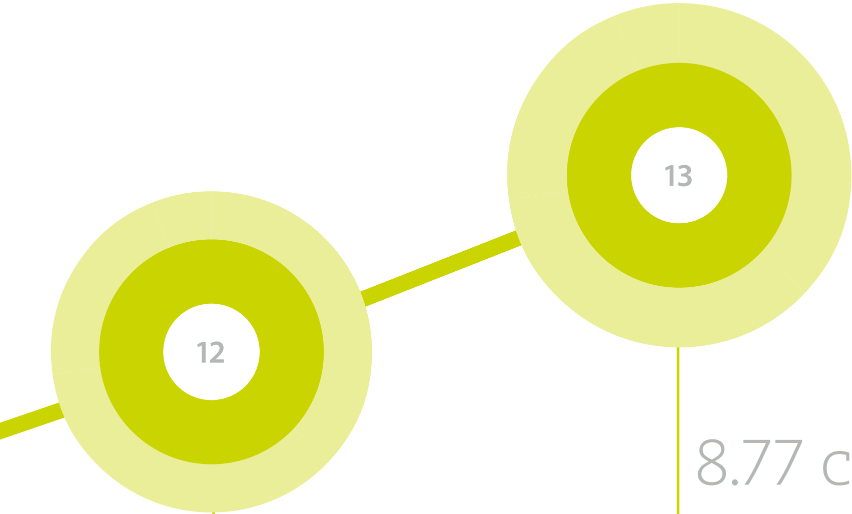
*Total Revenue* includes the Group's share of the revenue of joint ventures and associates.

*Adjusted EBITDA* is earnings before interest, tax, depreciation, acquisition related intangible asset amortisation charges and costs, fair value movements on contingent consideration and exceptional items. It also excludes the Group's share of these items within joint ventures and associates.

*Adjusted EBITA* is earnings before interest, tax, acquisition related intangible asset amortisation charges and costs, fair value movements on contingent consideration and exceptional items. It also excludes the Group's share of these items within joint ventures and associates.

*Adjusted profit before tax* excludes acquisition related intangible asset amortisation charges and costs, fair value movements on contingent consideration and exceptional items. It also excludes the Group's share of these items within joint ventures and associates.

*Adjusted fully diluted earnings per share* excludes acquisition related intangible asset amortisation charges and costs, exceptional items and related tax on such items. It also excludes the Group's share of these items within joint ventures and associates.




8.77 cent

7.94 cent

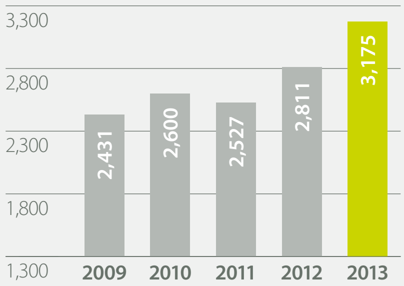
**2012**
Adjusted EPS grew 12.0% in 2012 to 8.11 cent (restated to 7.94 cent as a result of introduction of IAS 19 *Employee Benefits*). The strong growth was due mainly to the benefit of acquisitions completed in the previous 18 months.

**2013**
Adjusted EPS grew 10.5% in 2013 with the benefit of acquisitions completed in recent years and strong organic growth.

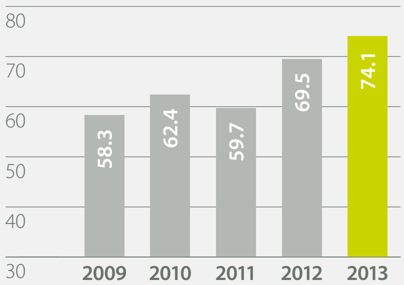
# Five year analysis

Set out below is a five year summary of the Group's Key Performance Metrics.

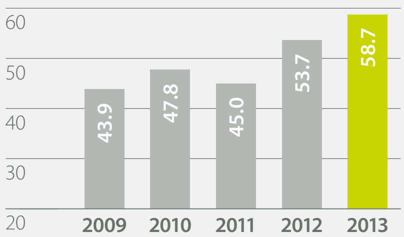
**Total Revenue (€'m)**



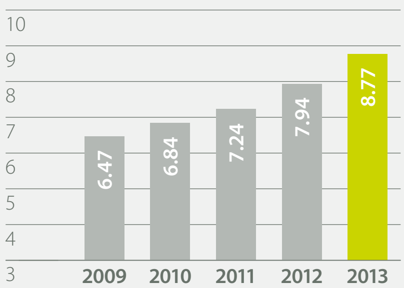

**Adjusted EBITDA (€'m)**




**Adjusted EBITA (€'m)**




**Adjusted EPS (€'cent)**




Note: Comparative figures for 2009-2011 have not been restated for impact of revision to IAS 19 *Employee Benefits (2011)*.

# 125 years young

*Progressive, innovative and accomplished, the modern Total Produce Group is built on foundations dating back to the late 19th century. Sustained Group growth, however, encourages on going re-invention and renewal, inspiring an ambitious, forward looking culture throughout our organisation.*

**Corporate Culture**
Perspectives can differ. Our Group is often regarded as a long established, deeply rooted fruit business dating as far back as the 1850's. Others prefer to view Total Produce as having began anew in January 2007, an emerging force in global fresh produce at the beginning of its life cycle. We believe we are both. We believe we possess the drive, determination, agility and hunger of a start up and that an ambitious culture embodying these characteristics permeates through our organisation across the globe. We know too that we possess the resources and infrastructure of an established multi-national and the industry experience and expertise of those who helped build it. Combined, we believe this to be a compelling combination. It brings together the instinct to innovate, to excel and to evolve with the capacity to deliver and the necessary commercial and financial foundations to sustain growth. In many respects, this is a defining differentiator of our company.

The reality is, however that our business continues to reinvent itself on an ongoing basis. Ours is an ever evolving organisation. The scale, reach and infrastructure we have acquired and the efficiencies and synergies these deliver are very real competitive advantages in our industry. Fresh produce, however, is a vibrant sector, one which rewards flexibility and innovation and a future orientated focus. Our business model is predicated on anticipating and embracing change so that as a group we are positioned to avail of opportunities as and when they arise. Organisational structure reflects this. Experienced Group management is supported by local management throughout Europe and North America. Local management is empowered to adapt products and services for their specific market and circumstance and encouraged to exercise entrepreneurial freedom in driving their business and our collective business forward. The result, we believe is a customer-centric, 'can-do' culture across all of our marketplace operations.

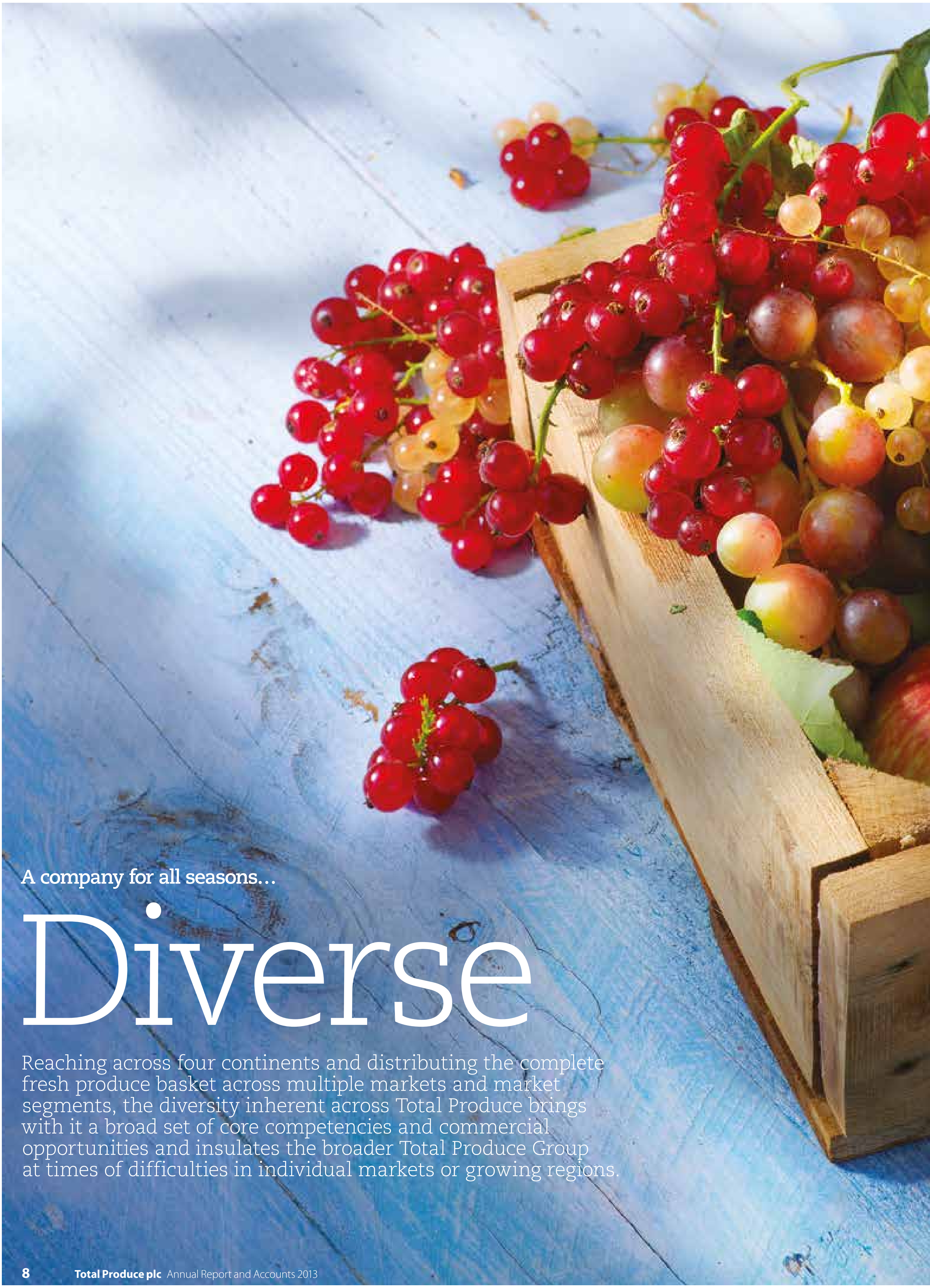
A commitment to growth and in particular to integrating new businesses to the Group is also engrained in our business model.

Image: Haluco Offices

The expansion of Total Produce inevitably brings about renewal and acts as a catalyst for further change. Mergers, acquisitions and the incorporation of new companies typically bring with them new specialities, supply bases, facilities and customers.

Very often, new partners expose our group to new territories, new cultures, new market dynamics, different consumer preferences and sometimes new and novel ways of doing business. Most importantly, new partners invariably bring new people into our family. We are privileged in Total Produce, by virtue of our growth, to be the beneficiaries of an ongoing infusion of new produce people; experienced professionals possessing diverse talents, ideas and core competencies. It keeps us young. The fresh perspective that accompanies new people inevitably leads to a challenging of the existing conventions in place across group processes and practices, compelling us to re-examine and review the way we do business. We are receptive to change because we are accustomed to it.
Though 2013 has seen our Group reach an important milestone in surpassing €3 billion in turnover, our culture dictates that our focus now lies on the next threshold.

Our existing people and partners expect and relish the challenges and opportunities that lie ahead because that is our way.
As is the welcome we hope to extend to others who join us along our journey.



A company for all seasons...

# Diverse

Reaching across four continents and distributing the complete fresh produce basket across multiple markets and market segments, the diversity inherent across Total Produce brings with it a broad set of core competencies and commercial opportunities and insulates the broader Total Produce Group at times of difficulties in individual markets or growing regions.



# Our Products

In a vibrant fresh produce sector, diversity across product portfolio, sources, markets and operations enables Total Produce to nurture growth, differentiate products and services and manage contingencies.

In Total Produce, one size does not fit all. The capacity to fashion bespoke solutions, customised for the unique requirements of local markets, individual market segments and specific customers defines the Group. Growth through mergers and acquisitions has delivered not only additional volume and turnover but new people, new sources and new customers.

## Integrating and Embracing Diversity

Total Produce's successful track record of mergers and acquisitions illustrates how the integration of new companies enhances the diversity of the broader Group, contributing to the building of not just a bigger company but a better company.

Case study:
## Diversity Across Supply and Product Range:

**Oppy's Fair Trade Certified™ sweet bell peppers now available year-round**

By engaging with a diverse network of growers, Oppy, Total Produce's North American partner, is expanding its offerings while demonstrating a deep commitment to social and environmental sustainability. Through partnerships with Fair Trade certified sweet bell pepper growers, this commitment can also deliver value to differentiating retailers and discerning consumers, while facilitating meaningful improvements in the communities of hundreds of farm workers. It's also an important tool for empowering consumers to make a difference with their purchases.

Oppy has offered Fair Trade Certified bell peppers from Mexico since 2011, in partnership with leading greenhouse vegetable producer Divemex. Now, along with Canadian pepper grower SunSelect Produce and Fair Trade USA, Oppy is set to offer certified sweet bell peppers year-round for the first time. SunSelect, who recently earned Fair Trade certification, has been an Oppy grower partner for nearly a decade.

Total Produce's first acquisition, that of Redbridge Holdings in the UK in 2007, in addition to adding a strong produce trading company with a large national distribution base, brought with it a specialist berry unit, now Total Berry. With unique core competencies in the development and production of berries globally, Total Berry is now the primary conduit for the Group's growing international berry business. Similarly, the subsequent addition of Haluco B.V. in the Netherlands in 2009 added a proficiency in Dutch salads production, an expertise subsequently shared across the broader Group.

The integration of Frankort & Koning in 2012 opened a new supply base across key categories to Total Produce and its customers, while the Oppenheimer Group's association with Total Produce has opened a whole new marketplace, North America to the Group, with all the unique market dynamics that entails. Customer-centric by nature, diversity is also evident in the variety of trading models in place across the broader Group as operating companies are structured to accommodate the needs of local customers. In the UK, Spain and Ireland, specialist retail units are complemented by multiple localised wholesale operations in situ to accommodate regional trading. In contrast, in Scandinavia and Eastern Europe logistics are more centralised and focused on Central Distribution Centres. In addition, Total Produce Direct, Total Berry, Total Exotics and Total Organics meet an identified pan-European need for specialist business units focused exclusively on key product categories.

Product Portfolio

Citrus
7%

Salad
12%

Exotics
4%

Banana
13%

Tomato
10%

Pineapple
2%

Apples & Pears
9%

Stone & Soft Fruit
17%

Other
7%

Vegetable/Potato
15%

Grape
4%

## Product Range – The Complete Fresh Produce Basket

Total Produce supply the complete fresh produce basket 52 weeks of the year. A one stop shop for the entire department, it is set apart by a capacity to bring the same professionalism and expertise to each and every individual produce category – an acquired trait arising from the diverse competencies in place across Group operating companies internationally.

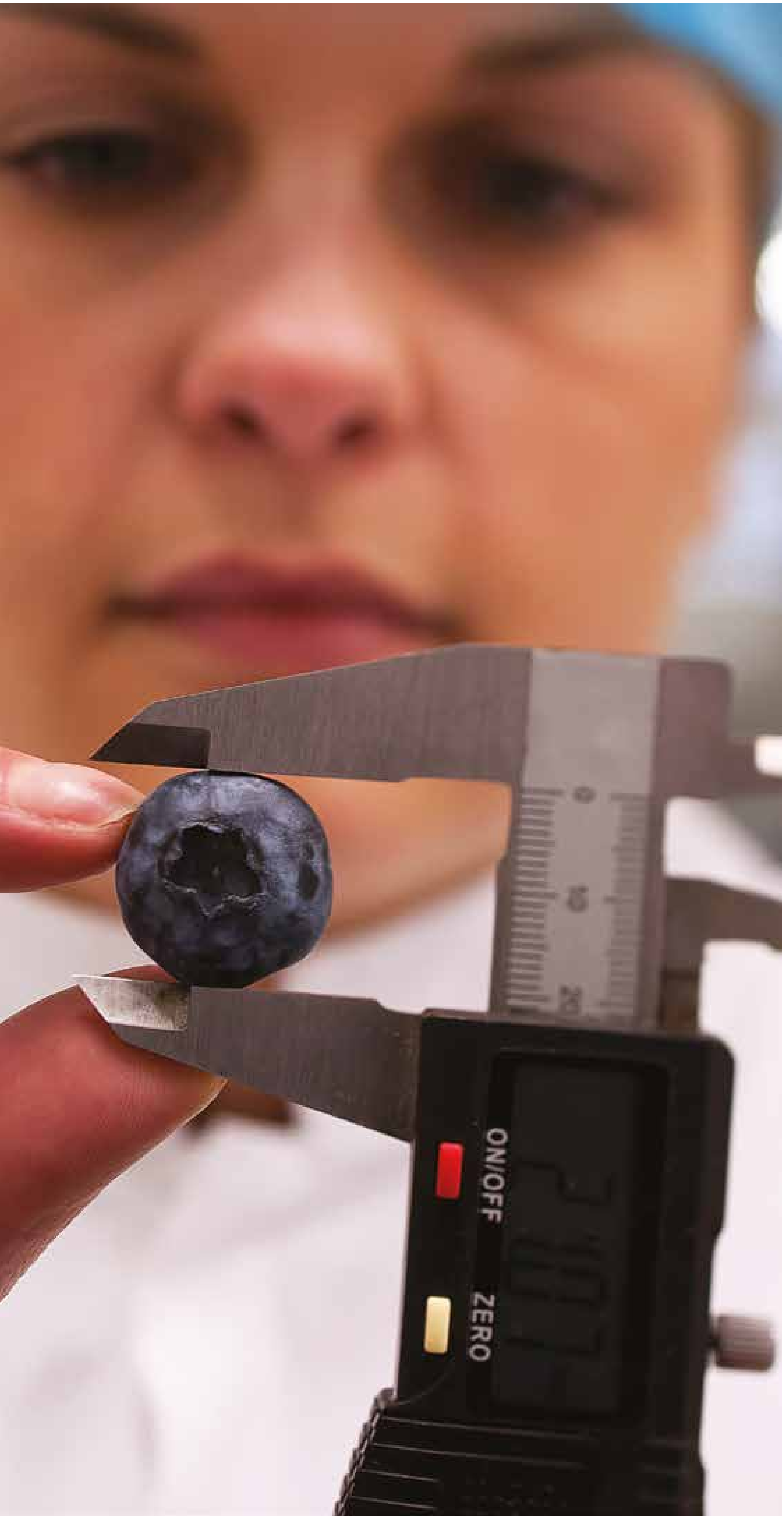
## Sources and Markets

Total Produce annually accumulates an ever-broader range of accomplished producers from around the world. This portfolio of suppliers and the sharing of trusted growers across the Group contributes to the ongoing evolution in quality and production practices to which Total Produce is deeply committed. It is invaluable too, in meeting customer expectations, particularly when addressing windows of product unavailability or contingencies as and when they arise. For growers, the diversity of Total Produce is also of real commercial value, opening up multiple markets across the retail, wholesale and foodservice sectors via a single commercial partner.

A company for all seasons…

# Flexible

The ever changing nature of the fresh produce market and the diverse set of requirements of the various sectors within that market ensure that flexibility across operations is both a core competitive advantage and a commercial imperative.




The capacity to adapt quickly, efficiently and decisively differentiates Total Produce. Having the required systems in place to anticipate and recognise emerging trends is an important starting point.

## Case study one: Enabling Flexibility and Planning for Change: Optimo Enterprise System Delivers Competitive Advantage in North America

In the world of fresh fruits and vegetables, reaction time can mean everything. Best laid plans shift in seconds with the whims of nature, exchange rates, the market, and more – making hundreds of 'on the spot' decisions necessary every day. And what makes those decisions the right decisions? Access to accurate data.

# Our Operations
Continued

Optimo is the proprietary enterprise system that supports virtually every aspect of operations at Oppy, Total Produce's North American partner. From the sales force to the category leaders to the executive team, it is relied upon daily for the data that drives the business successfully forward.

Optimo's reports enable the company to plan strategically, while also providing the necessary tactical background to support the best possible decisions in moments of urgency. It is readily integrated with grower and retailer inventory systems, smoothing out the supply chain and allowing direct access to valuable information throughout the transaction.

The design, which was undertaken completely by Oppenheimer staff, consists of intuitive, integrated building blocks each serving a specific purpose. This modular approach makes it possible for Optimo to be nimbly refined in tandem with changes and growth across Oppy's business.

While the system has been phased in over five years, it evolves virtually daily. Key changes in 2013 included the expansion of Optimo's base financial system to be multi-language and support Chilean pesos and the Chilean tax structure. This allows Oppy's South American operations to be completely integrated with Optimo, and provides full supply chain and financial visibility across all companies in The Oppenheimer Group.


01

02

**01.** Quality assurance department in Swords, Dublin, Ireland.

**02.** Total Berry on-site quality assurance.

## Case study two:
## Flexibility and Reflecting Change in the Marketplace: Refining Total Produce's Technical Function

The traditional technical function across the fresh produce industry, orientated as it was predominantly towards food safety, has significantly broadened in scope in recent times, becoming increasingly focused on environmental management and CSR practices. Total Produce is refining its technical function to reflect these changes and ever more efficiently apply Group resources to this important field.

2013 saw the introduction of significant changes in Total Produce's technical function and structural changes in its internal organisation. This project has been spearheaded by Total Produce Direct in the Netherlands, a division dedicated to collective procurement of key fresh produce lines across the Group.

Focus initially has been centred on technical operations in Total Produce Nordic, Total Produce UK, Total Berry and Total Exotics. The premise underpinning this initiative is that closer collaboration between technical divisions in different markets offers the potential to maximise efficiency in the allocation of Group technical resources, add value to the service we provide to our customer base across Europe and emphasise product quality and technical proficiency as a point of difference associated with the Total Produce Group.

### Structural Changes

In practical terms, this initiative has seen the reorganisation of a number of technical divisions across multiple markets under a single, flexible structure. A team of 35 technical managers across Europe has been brought together, including product quality experts, agronomists and market experts, each with clearly defined roles and objectives. The primary focus of this technical unit will be to meet and exceed the evolving requirements of consumers, customers and our suppliers and its activities will centre on new product development, quality assurance, due diligence, sustainability and service levels.

03

Coordinating complementary functions at local and Group level allows Total Produce to effect changes quickly ‘on the ground’ while leveraging the broader resources and core competencies of the Group to differentiate the service individual operating companies and partners can provide.

### Applying Expertise

In terms of technical excellence, Total Produce's pan-European and global infrastructure is a distinct advantage. The formalisation of a Group technical structure based on existing in-house core competencies is assisting in highlighting the technical benefits associated with the resources and experts Total Produce has ‘on the ground’ throughout Europe and major global growing regions around the world. The wealth of experience possessed by specialists regionally with respect to maximising shelf-life, influencing production, development of new varieties, and innovating in packaging will increasingly be brought to bear at Group level, augmenting the capacity across Group operations to customise produce.

### Adding Value and Sharing Best Practice

Approaches to the technical function and market requirements differ across Europe and the world. A consolidated technical function presents the opportunity for Total Produce to select the most effective technical measures in place across individual markets and establish them as best practices across the broader Group. Total Produce's consolidated technical function will be dedicated to leading the field in more technically pioneering markets and identifying successful, innovative technical models that can be replicated and extended across the broader Total Produce Group. Specifically, this division will work to further refine the technical protocols and practices already in situ in accordance with changes in the marketplace. It will work also to put in place the necessary technical foundations to facilitate long term production planning and genuine category management. The intent is to emphasise to stakeholders across the supply chain that local technical teams have the support of a broader Group function, that the Total Produce Group offers a proficiency in the technical field which spans the supply chain and that this point of difference ultimately delivers better produce.

### Transparency and Consolidating Costs

Optimisation of resources is a central component of this programme. Collaboration can deliver not only synergies in terms of expenditure on technical function but also a better service and increased transparency and standardisation across operations. A case in point is the development of the new Group technical cloud database, accessible by all Group companies, consolidating suppliers approvals, farm audit information and product documentation from across the Total Produce Group. Launched in Spring 2014, this online resource will simultaneously reduce costs in terms of reducing replication across Group companies but also improve accessibility Group-wide to important technical data.

**03.** Robotic assembly facility, Helsingborg, Sweden.


A company for all seasons...

# Innovative

Integrating innovation across services provided, processes controlled and produce sold is critical in adding value to the fresh produce supply chain, differentiating Total Produce in the marketplace and inspiring increased consumption of produce by consumers.




# How Our Business Works

Innovation provides opportunities to refine the route to market and improve our produce portfolio while advances in technology have revolutionised interaction with fresh produce consumers across Total Produce markets.

From development and production of new berry varieties by Total Berry in the United Kingdom, through to the introduction of revolutionary Order Assembly robotics in our Helsingborg facility or the integration of barge estuary transportation into the supply of produce to our Rotterdam facility, Total Produce has a strong and demonstrable track record in investing in innovation across the supply chain and throughout the Group. Intent is always to add value and extract costs from our goods and services but also to differentiate Total Produce; to establish synonymity with fresh ideas as well as fresh produce and to establish a tangible competitive advantage.


01

02

## Case study one:
# Consumer engagement: TOP Fruit Hub consumer App

**'Finding the Fun in Fruit'**

2013 saw Total Produce introduce its 'TOP Fruit Hub' Smartphone App for consumers. 'Finding the Fun In Fruit' is its ambition, the aspiration is to inspire, enthuse and empower consumers about fresh fruit and vegetables and in doing so, stimulate consumption. Designed to be a one stop shop for all things fresh produce and to become a GOTO resource for the fruit enthusiast or novice alike, the TOP Fruit Hub has four sections, the largest of which is an easy to use video recipe finder with over 200 videos. Recipe videos are hosted by chef Rozanne Stevens, fruit sculptor Sandeep Pandey presents fruit carving tutorials while a series of nutrition videos are fronted by dietician Paul Mee. Customised videos are categorised by fruit or vegetable type, mealtimes and special occasions for convenient accessibility. Consumer feedback derived from existing Total Produce online and social media platforms has directed the commissioning of video content.

In addition to the recipe finder, the TOP Fruit Hub also has 'fruit finders' a fruit themed Smartphone game for children, a competitions section and a handy QR scanner to complement Total Produce Smartpacks. The App also links seamlessly with the established Topfruit website and social media portals. In keeping with the 'Finding the Fun In Fruit' theme, the TOP Fruit Hub app was introduced in October 2013 via a viral video in which a Total Produce pumpkin was literally 'launched' into space. Search 'Pumpkin in Space' on YouTube.

The TOP Fruit Hub App can be downloaded from the App Store and the Google Play Store (Android Market) or scan the QR code below.

## Case study two:
# Packaging: TOP free standing produce pouches

The exchange of innovations and best practice by Group companies is a primary dividend of Total Produce's diversity and reach. In 2013 Oppy (the Oppenheimer Group), Total Produce's partner company in North America, introduced free standing produce pouches to the broader group. Increasingly the produce packaging format of choice in Canada and the United States, replacing conventional bags, punnets and nets, free standing pouches have yet to be widely adopted across the European marketplace. Popularity is attributed to improved display potential at retail, superior visibility of produce and reduced environmental impact associated with their production. A limited range of Total Produce TOP branded pouches were showcased at the Fruit Logistica tradeshow in Berlin with a view to introducing these new packs to European retailers in 2014.

**01.** Consumer orientated Smartphone App.

**02.** Newly introduced TOP free standing produce pouches.

**03.** NFC In-store units.

**04.** Screenshot of our 'Locally Fresh' online platform.


03

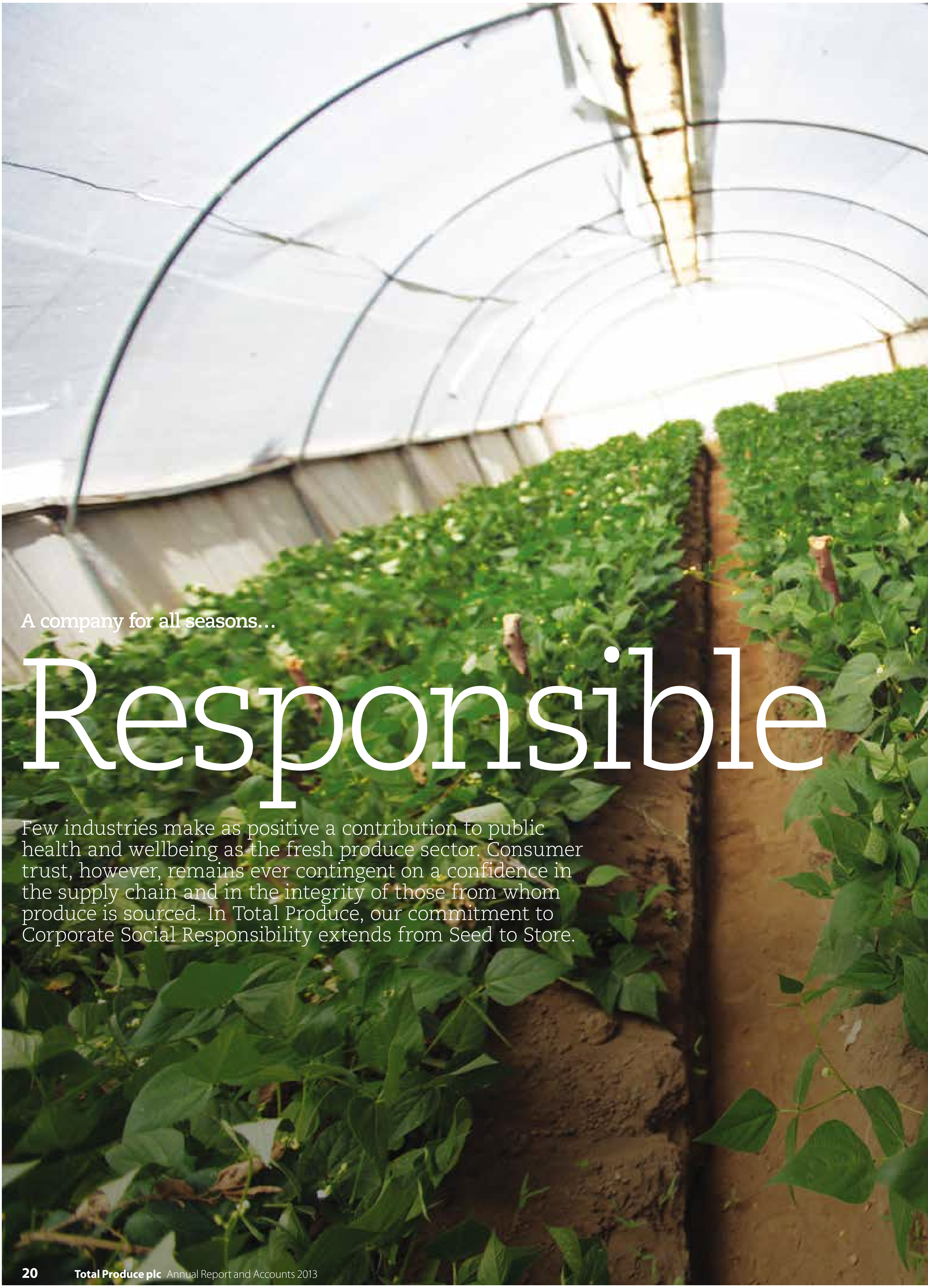
## Case study three:
# Retail focus: NFC (Near Field Communications) In-Store Units

2014 will see trials of NFC (Near Field Communications) enabled fresh produce stands in Ireland. NFC is the technology behind contactless payments, which retailers across Europe are currently adopting. It allows for transactions to be processed or information downloaded with a simple tap of an enabled smartphone. Total Produce's stands will allow daily fresh produce videos to be downloaded directly by consumers without scanning a QR code. Two stands will be trialled: a TOP 'Fresh n Ready' convenience stand from which recipe videos will be available and a TOP 'Love Local' stand from which video tours of the local farms supplying the fixture can be downloaded. The objective is to empower the consumer and differentiate the fresh produce fixture in-store. Search Total Produce NFC on YouTube to view a short video explaining the concept.

## Case study four:
# Corporate Social Responsibility: 'LocallyFresh' online platforms

The importance of local experts marketing local produce is enshrined in our trading philosophy and a 'local produce first' policy is observed across the Group. The United Kingdom and Ireland are two cases in point. Across both countries, Total Produce operates an extensive regional infrastructure to serve local markets. 2014 will see the launch of two sister websites, the main function of which will be to profile local Total Produce depots and personalities and provide a platform for the promotion of local produce to local people. Each website will offer video tours of local growers' farms and profile the products they produce and their availability. A demand for transparency among trade customers with respect to local procurement is at the heart of this initiative. The ambition is to emphasise the role Total Produce plays in supporting local farmers, to afford growers the opportunity to promote their products and to encourage customers to prioritise local fruits and vegetables.


04



A company for all seasons…

# Responsible

Few industries make as positive a contribution to public health and wellbeing as the fresh produce sector. Consumer trust, however, remains ever contingent on a confidence in the supply chain and in the integrity of those from whom produce is sourced. In Total Produce, our commitment to Corporate Social Responsibility extends from Seed to Store.



# Corporate Social Responsibility

Sustainable production, food safety, environmental responsibility and stakeholder engagement are central tenets of Total Produce's commitment to principled trading practices.

### A Case in Point – Provenance Partners

December 2013 saw Total Produce UK complete a 50% investment alongside Millhouse Ltd in Provenance Partners Limited ('Provenance'). Provenance is supplied by a number of fresh produce producers from around the world all showing very high CSR standards. Typical of these suppliers is Provenance's largest supplier the VP Group, which was established in 1979, predominantly as a local fresh produce wholesaler before evolving into an international exporter. Today it is Kenya's largest vegetable producer, selling some 10,000 tonnes of vegetables each year, grown across 2,500 hectares of farmland. The formation of Provenance sees the bringing together of the horticultural experience of suppliers like the VP Group with the marketplace infrastructure, expertise and reach of Total Produce. The ambition: truly exceptional premium produce grown to the highest horticultural, ethical and environmental standards.

# Corporate Social Responsibility
Continued

## Production at Source

80% of VP's production comes from seven company-owned farms with the balance procured from three out-growers' farms (large scale local producers) and some 2,000 smallholders. These smallholders are divided into 23 groups, based on geographic locations, each of which has a self-regulating committee governed by constitutions and by-laws. Smallholders deliver harvested crops to a designated local depot for pick-up and are paid promptly. Significantly, income is guaranteed to growers. The income accrued from exporting via Provenance is considerably higher than that which can be accrued from selling on the local market. Harvested vegetables are transported to a processing facility in Nairobi (pictured). The complex includes two processing plants, administration and quality control buildings and a health clinic where staff can avail of medical, mental health and social services.

01

**01.** VP processing facility, Nairobi, Kenya.

**02.** Manual salad preparation, Nairobi.

**03.** Farm in Naivasha, Kenya.

**04.** Goods inwards, VP processing facility, Nairobi.

## Being a Responsible Producer

Corporate Social Responsibility and sustainable production lie at the very heart of Provenance's trading ethos. In Kenya, a wide range of initiatives have been instituted with a view to further improving conditions for workers, guaranteeing food safety and managing environmental impact. Examples include increasing the use of sea freighting in place of traditional air freight in an effort to further reduce carbon emissions, engaging employees in a personal enrichment programme called 'Emerging Leaders', providing free transportation and free meals to employees, putting in place retirement contributions and other benefits to workers, reducing water waste in irrigation and making long-term commitments to smallholders. In some instances, environmental responsibility has yielded commercial dividends, a good example being the ongoing construction of an anaerobic digestion plant at source that will process waste from the field into energy and compost. Simultaneously, processing facilities are being built on farms so that cuttings removed during processing (about 50% of production by weight) can stay on the farm rather than be transported by truck to Nairobi. By adopting best practice at source and committing in such a tangible way to grower welfare, the VP Group and Provenance have not only materially improved production conditions but also differentiated growers' produce on the retail shelf.

## In the Marketplace

Investment at source requires optimal efficiency in the marketplace. Inefficiencies breed cost and price inflation, potentially damaging competitiveness. Total Produce provides the most direct route to the European marketplace for product grown on VP's farms.

Our pan-European infrastructure will provide opportunities to expand into new markets and our produce technical teams are supporting Kenyan growers in diversifying into new categories, most notably berries. In new territories, our expertise and local market knowledge and the long term relationships we have in place 'on the ground' will assist our Kenyan suppliers in extracting a fair return for their produce and one reflective of their efforts at farm level.

The foundation for this relationship between Provenance and the VP Group is based in both companies shared entrepreneurial drive and genuine commitment to the safe, ethical and responsible production of fresh produce and equitable returns for all stakeholders across the fresh produce supply chain. The challenge and the opportunity going forward, as always, is to continue to work on innovations and initiatives at source while preserving commercial viability.

02

03

04

In Total Produce, our dedication to food safety first and foremost, our insistence on best practice across horticultural production, our implementation of principled trading practices and our commitment to stakeholders right across the supply chain represent integral components of our strategy for delivering operational excellence and superior produce.

Total Produce is satisfied that we have the appropriate risk management procedures in place to ensure that we comply with the highest standards in relation to food safety regulations. In addition, Total Produce, through its subsidiaries, has established codes of best practice with which it requires direct suppliers to comply. These are designed to reduce any potential negative impact of agricultural production on the environment and to ensure safe working conditions and fair treatment for workers in compliance with internationally accepted labour standards. Total Produce is a member of GlobalG.A.P, established by major food retailers and suppliers across Europe to address consumer concerns about food safety, environmental protection and worker welfare and to promote safe and sustainable agriculture. GlobalG.A.P has adopted an extensive range of guidelines on these matters, resulting in the Global Good Agricultural Practice (GlobalG.A.P) accreditation. This standard establishes the minimum requirements to be met by growers of fruit and vegetables that supply global retailers. All Total Produce TOP branded product is GlobalG.A.P accredited.

The Total Produce group is also a member of Sedex (The Social and Ethical Data Exchange) a body dedicated to auditing global producers to ensure ethical trading practices are adhered to. In Total Produce, we recognise that our responsibilities concerning Corporate Social Responsibility are ongoing. We are committed to being pro-active and constructive in addressing all Corporate Social Responsibility matters and to actively participate in industry forums on social, ethical, environmental and health and safety issues.

GLOBALG.A.P.

Sedex

Empowering responsible supply chains

## Chairman's Statement

C P McCann, Chairman

# Delivering growth

The Group has recorded a strong performance in 2013 with positive contributions from acquisitions completed in recent years along with organic growth. Total revenue in 2013 grew by 13% to €3.2 billion and adjusted earnings per share grew 10.5% to 8.77 cent.

Total Produce today is one of the largest fresh produce companies in Europe with revenues in excess of €3 billion and operations both in Europe and more recently North America. The fresh produce business is a significant global industry. Our medium to long term goal is to continue to increase our scale through organic growth, innovation and acquisitions in the fresh produce sector and related areas. Scale creates efficiencies which help to generate increased shareholder returns.

Acquisitions have always been a key part of our strategy. The Group successfully completed a number of transactions in 2013 with a total investment of over €23m. The most significant investment was the acquisition of an initial 35% interest in the Oppenheimer Group, with a further 30% to be acquired in 2017. This development is the Group's first investment in the North American market. The Oppenheimer Group is a leading distribution and marketing company with thirteen locations, of which nine are in the USA, three are in Canada and one in Chile.

In addition, on 13 December 2013, the Group completed the acquisition of a further 41% shareholding in Provenance Partners Limited, taking the Group's interest to 50%. Provenance primarily sources exotic vegetables from Africa and it expands the Group's product offering to retailers, food service and wholesale customers in the UK. Post year-end the

Acquisitions have always been a key part of our strategy. The Group successfully completed a number of transactions in 2013 with a total investment of over €23m.

Group completed an agreement (subject to regulatory approval) to acquire the second 50% shareholding in All Seasons Fruit ('ASF') in Holland. ASF specialises in the soft fruit category which is one of the areas upon which the Group has focused in recent years.

In April 2013, the Group sold its 25% interest in the South African fruit company Capespan Group Limited for cash proceeds of almost €22m. The Group has enjoyed an excellent relationship with Capespan since 1999 and would like to thank them for their contribution over the years. We look forward to continued trading links with Capespan and wish them continued success in the future.

The Board recommends an increase of 10% in the final dividend to 1.6632 cent per share. This together with the interim dividend of 0.6095 cent per share brings the total 2013 dividend to 2.2727 cent per share, an increase of 9.3% on 2012.

Trading conditions to date for 2014 have been satisfactory and we are targeting adjusted earnings per share in the range of 8.4 to 9.4 cent per share. The Group is in a very strong financial position and remains well positioned to pursue further acquisition opportunities.

The Group's successful growth and development is due to the hard work, commitment, ability and talents of our tremendous people. On behalf of the Board, I would like to thank them for their valued contribution to the performance in 2013 and look forward to their continuing contribution to the expansion of the business.

**C P McCann**
**Chairman**
3 March 2014

## Operating Review
R P Byrne, Chief Executive

# Potential for further growth

"The strong growth in the year was assisted by the contribution of acquisitions completed in recent years and good organic growth offset in part by the divestment of the Group's 25% interest in Capespan Group Limited."

Total Produce has recorded strong results in 2013. Revenue grew by 13.0% to €3.2 billion (2012: €2.8 billion) with adjusted EBITA up 9.4% to €58.7m (2012: €53.7m). The strong growth in the year was assisted by the positive contributions from acquisitions completed in recent years and good organic growth offset in part by the divestment of the Group's 25% interest in Capespan Group Limited ('Capespan South Africa'). The results were marginally affected by currency translation in the year primarily due to the weakening of Sterling. The trading results in all of the operating divisions within the Group's core Fresh Produce Division were improved on 2012.

On a like-for-like basis, excluding the impact of acquisitions, divestments and currency translation, total revenue increased by c.8% in 2013.

Operating profit before exceptional items increased 12.1% to €46.9m (2012: €41.8m). The Group recognised net exceptional credits in the year of €6.5m (2012: €0.3m) due primarily to a credit arising on modifications to the structure of the Group's defined benefit arrangements offset by fair value losses on the revaluation of properties. A full analysis of these exceptional items is set out in Note 6 of the accompanying financial statements. Operating profit after these net exceptional credits was €53.4m (2012: €42.1m), representing an increase of 26.7%.

## Operating Review

The table below presents a segmental breakdown of the Group's revenue and adjusted EBITA for the year. Each segment's performance is evaluated based on revenue and adjusted EBITA.

| | 2013 | | Restated* 2012 | |
|---|---|---|---|---|
| | Segmental revenue €'000 | Adjusted EBITA €'000 | Segmental revenue €'000 | Adjusted EBITA €'000 |
| Fresh Produce | | | | |
| – Eurozone | **1,493,567** | **22,962** | 1,328,042 | 21,023 |
| – Northern Europe | **900,413** | **23,431** | 802,837 | 22,033 |
| – UK | **480,769** | **6,596** | 489,686 | 5,103 |
| – International | **226,862** | **3,128** | 123,076 | 2,511 |
| Inter-segment revenue | **(40,689)** | **–** | (35,832) | – |
| **Total Fresh Produce** | **3,060,922** | **56,117** | 2,707,809 | 50,670 |
| **Healthfoods and Consumer Products** | **113,906** | **2,588** | 102,762 | 2,989 |
| **Third party revenue and adjusted EBITA** | **3,174,828** | **58,705** | 2,810,571 | 53,659 |

* 2012 comparatives have been restated to conform to the current year presentation as outlined in Note 1 of the accompanying financial statements.

### Fresh Produce Division

The Group's core Fresh Produce Division is involved in the growing, sourcing, importing, packaging, marketing and distribution of hundreds of lines of fresh fruits, vegetables and flowers. This division comprises four distinct reporting segments.

Revenue in this division increased 13.0% in the period to €3,061m (2012: €2,708m) with adjusted EBITA increasing 10.7% to €56.1m (2012: €50.7m). Net EBITA margins in the Fresh Produce Division of 1.83% (2012: 1.87%) were slightly lower compared to the prior year. The results were assisted by the positive contribution of acquisitions completed in recent years and organic growth offset in part by the divestment of the Group's 25% interest in Capespan South Africa in April 2013.

Trading conditions overall in 2013 were improved on 2012 with performance increasing in each of the operating segments in the Fresh Produce Division. The effect of currency did not have a material impact on the reported results in the year. On a like-for-like basis, excluding the impact of acquisitions, divestments and currency translation, revenue increased c.8% in 2013 due to an increase in both volume and average prices.

Further information on each reporting segment follows.

### Eurozone Fresh Produce

Revenue in the Eurozone Division increased 12.5% to €1,494m (2012: €1,328m) with a 9.2% increase in adjusted EBITA to €23.0m (2012: €21.0m). The increase was primarily due to the full year effect of acquisitions completed in 2012 and improved trading conditions in certain Continental European locations. Excluding the effect of acquisitions, revenue on a like-for-like basis was up c. 8% due to both volume and price increases.

### Northern Europe Fresh Produce

Revenue in the Group's Northern European Division increased by 12.2% to €900m (2012: €803m) with adjusted EBITA increasing by 6.3% to €23.4m (2012: €22.0m). The increase in revenue was due to new customers, new product lines and average price growth. Currency translation did not have a material impact on the reported results year-on-year.

### UK Fresh Produce

Reported revenue in the Group's UK division decreased by 1.8% to €481m (2012: €490m) with adjusted EBITA increasing by 29.3% to €6.6m (2012: €5.1m). The results were negatively impacted by the 5.2% weakening of Sterling in 2013. On a constant currency basis, revenue was up 2.4%. The results reflect a strong second half of the year particularly in the wholesale sector after a relatively poor start to the year due to a late spring which impacted the first six months performance.

### International Fresh Produce

Reported revenue in the Group's international business increased to €227m (2012: €123m) with adjusted EBITA increasing by 24.6% to €3.1m (2012: €2.5m). The results benefitted from the acquisition of Oppenheimer in January 2013 offset by the impact of the divestment of Capespan South Africa in April 2013.

# Operating Review
Continued

### Healthfoods and Consumer Products Distribution Division

This division is a full service marketing and distribution partner to the healthfoods, pharmacy, grocery and domestic consumer products sectors. It markets and distributes to retail and wholesale outlets in Ireland and the United Kingdom. Revenue increased 10.8% to €114m (2012: €103m) due to the positive contributions of bolt-on acquisitions completed in the previous 18 months. The division recorded an EBITA of €2.6m (2012: €3.0m) with the decrease due to lower margins primarily due to changes in the product mix.

### Acquisitions and Developments

During 2013, the Group invested €23.3m including deferred consideration and contingent consideration amounts of €5.9m payable on the achievement of future profit targets.

On 7 January 2013, the Group announced the completion of an agreement to acquire a 65% majority shareholding in the Oppenheimer Group in two stages over five years.

The acquisition of an initial 35% of the Oppenheimer shares was completed on this date in January for an initial cash payment of CAD$14.9m (€11.4m) with additional consideration payable on these shares if certain profit targets are met. The fair value of the contingent consideration recognised at the date of acquisition of €2.6m was calculated using an expected present value technique. A further 30% shareholding will be purchased in 2017 for a price to be determined based on future profits. The total consideration payable for the 65% shareholding was estimated not to exceed CAD$40.0m (€30.0m) at completion.

On 13 December 2013, the Group completed the acquisition of a further 41% shareholding in Provenance Partners Limited taking the Group's interest to 50%. Provenance primarily sources premium exotic vegetables from Africa for sale to major retail, food service and wholesale customers in the UK.

In addition to the activity detailed above, the Group made a number of other bolt-on acquisitions and invested in new and existing joint ventures in 2013.

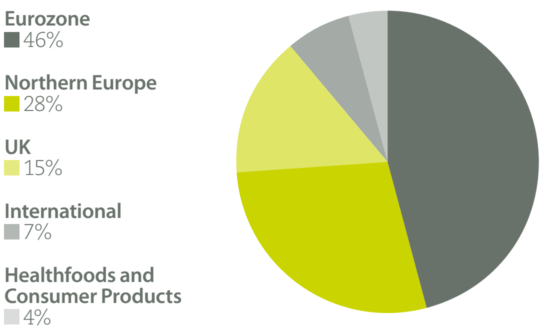
Post year-end, the Group completed an agreement (subject to regulatory approval) to acquire the second 50% shareholding in All Seasons Fruit ('ASF') in the Netherlands in three stages. ASF specialises in the soft fruit category.

The Group continues to actively pursue further investment opportunities in both new and existing markets.

**R P Byrne**
**Chief Executive**
3 March 2014

**2013 Third Party Revenue by Division**

€3,175m



# Strong results

> The Group continues to generate strong cash flows and recorded a 15.7% increase in shareholder equity in 2013.

## Summary of Results

The Group delivered strong results for the year ended 31 December 2013. Total revenue increased by 13% to €3.2 billion with adjusted EBITA increasing 9.4% to €58.7m. Adjusted Diluted Earnings per Share for the year ended 31 December 2013 of 8.77 cent represented a growth of 10.5%.

The Group continues to generate strong cash flows with operating and free cash flows up on the prior year due to increased earnings and working capital inflows. There was also a strong 15.7% growth in shareholders' funds to €217.4m at 31 December 2013.

# Financial Review
Continued

## Summary of Income Statement

The following is a summary of the Group Income Statement and the Group's Key Performance Indicators.

| | 2013 €'000 | Restated 2012* €'000 |
|---|---|---|
| **Revenue including share of joint ventures and associates** | **3,174,828** | 2,810,571 |
| **Adjusted EBITDA**[1] | **74,126** | 69,479 |
| Depreciation charge[2] | **(15,421)** | (15,820) |
| **Adjusted EBITA**[1] | **58,705** | 53,659 |
| Acquisition related intangible asset amortisation charges (includes the Group's share within joint ventures and associates) | **(7,962)** | (7,821) |
| Fair value movements on contingent consideration estimates | **(901)** | (465) |
| Acquisition related costs (includes the Group's share within joint ventures and associates) | **(87)** | (416) |
| Share of joint ventures and associates net financial expense | **(594)** | (861) |
| Share of joint ventures and associates tax charge (before tax credit on exceptional items) | **(2,240)** | (2,258) |
| **Operating profit before exceptional items** | **46,921** | 41,838 |
| Exceptional items | **6,492** | 303 |
| **Operating profit after exceptional items** | **53,413** | 42,141 |
| Net financial expense | **(5,178)** | (5,755) |
| **Profit before tax** | **48,235** | 36,386 |
| Income tax expense | **(10,040)** | (8,179) |
| **Profit after tax** | **38,195** | 28,207 |
| **Attributable to:** | | |
| Equity holders of the parent | **30,936** | 21,127 |
| Non-controlling interests | **7,259** | 7,080 |
| | **38,195** | 28,207 |

| | 2013 cent | 2012* cent |
|---|---|---|
| **Adjusted fully diluted earnings per share**[1] | **8.77** | 7.94 |
| **Basic earnings per share** | **9.38** | 6.40 |
| **Fully diluted earnings per share** | **9.36** | 6.40 |

* 2012 comparatives have been re-stated in accordance with IAS 19 *Employee Benefits (2011)* and to reflect the reclassification of fair value movements on contingent consideration. See Note 1 of the accompanying financial statements for further details.

1 Key performance indicators are defined on page 5.

2 Depreciation charge includes the depreciation charge of Group fixed assets, the Group share of the depreciation charge of joint ventures and associates and also amortisation charges of computer software which are classified as intangible assets in accordance with IFRS.

## Key Performance Indicators

| | 2013 |
|---|---|
| Revenue growth | **+13.0%** |
| Adjusted fully diluted EPS growth | **+10.5%** |
| Adjusted EBITDA growth | **+6.7%** |
| Adjusted EBITA growth | **+9.4%** |
| Adjusted EBITA margin | **1.85%** |
| Interest cover (adjusted EBITA: net financial expense) | **11.3 times** |
| Net debt/adjusted EBITDA | **0.15 times** |
| Operating cash flow | **€45.0m** |
| Free cash flow | **€45.1m** |

## Revenue, Adjusted EBITA and Operating Profit

An analysis of the factors influencing the changes in revenue, adjusted EBITA and operating profit is provided in the Operating Review on pages 26 to 28.

## Translation of Foreign Currencies

The presentation currency of the Group is Euro, which is the functional currency of the parent. Results and cash flows of the foreign currency denominated operations have been translated into Euro at the average exchange rates for the year and the related balance sheets have been translated at the rates of exchange ruling at the balance sheet date. Adjustments arising on the translation of the results of the foreign currency denominated operations at the average rates, and on the restatement of the opening net assets at closing rates, are accounted for within a separate translation reserve within equity, net of differences on related foreign currency borrowings to the extent they are effective. All other translation differences are recorded in the income statement. The principal rates used in the translation of the results and balance sheets into Euro were as follows:

| | Average rate | | | Closing rate | | |
|---|---|---|---|---|---|---|
| | **2013** | 2012 | % change | **2013** | 2012 | % change |
| Canadian Dollar | **1.3685** | – | – | **1.4641** | 1.3127 | (11.5%) |
| Czech Koruna | **26.3221** | 25.1879 | (4.5%) | **27.3718** | 25.0942 | (9.1%) |
| Danish Kroner | **7.4580** | 7.4438 | (0.2%) | **7.4601** | 7.4606 | 0.0% |
| Indian Rupee | **77.2560** | 68.3410 | (13.0%) | **85.2304** | 72.2313 | (18.0%) |
| Polish Zloty | **4.1875** | 4.1754 | (0.3%) | **4.1578** | 4.0800 | (1.9%) |
| Pound Sterling | **0.8510** | 0.8086 | (5.2%) | **0.8319** | 0.8110 | (2.6%) |
| South African Rand | **12.8226** | 10.5503 | (21.5%) | **14.4319** | 11.1852 | (29.0%) |
| Swedish Krona | **8.6418** | 8.7277 | 1.0% | **8.8498** | 8.5763 | (3.2%) |
| US Dollar | **1.3285** | – | – | **1.3780** | 1.2698 | (8.5%) |

In 2013 there were movements in some of the major currencies in the Group against the Euro. In particular the average Pound Sterling rate and the Czech Koruna rate weakened by 5.2% and 4.5% respectively. The Swedish Krona rate increased marginally by 1.0% in the year. These various movements in currency led to a marginal negative impact on retranslation of 2013 revenues and earnings of the foreign currency denominated operations into Euro, the Group's reporting currency, with the loss on the weaker Pound Sterling and Czech Koruna rates partly offset by the stronger Swedish Krona rate. At 31 December 2013, the closing exchange rates for all principal currencies within the Group had weakened against the Euro with the closing Pound Sterling weakening by 2.6%, the Swedish Krona by 3.2%, the Czech Koruna by 9.1%, the US Dollar by 8.5% and the Canadian Dollar by 11.5% compared to the exchange rates that prevailed at 31 December 2012. This led to a loss on retranslation of the opening net assets to the closing rate. This translation adjustment was recorded in a separate translation reserve within equity.

## Net Financial Expense

Net financial expense in the year decreased to €5.2m (2012: €5.8m) due to lower average net debt in the year. The Group's share of the net financial expense in its joint ventures and associates was €0.6m compared to €0.9m in 2012. Net interest cover for the year was 11.3 times based on the adjusted EBITA.

## Amortisation of Acquisition Related Intangible Assets

The Group's intangible assets mainly represent the value of customer and supplier relationships arising on acquisitions. These are amortised over their estimated useful economic lives ranging from three to fifteen years. The amortisation charge, inclusive of the Group's share of joint ventures and associates charges increased marginally to €8.0m (2012: €7.8m) with additional amortisation charges on intangible assets arising on acquisitions completed in the past 18 months offset by a reduction due to certain intangible assets being fully amortised.

## Exceptional Items

Exceptional items in the year amounted to a net credit before tax of €6.5m (2012: net credit of €0.3m) due primarily to a credit arising on modifications to the structure of the Group's defined benefit arrangements offset by fair value losses on the revaluation of properties. Please refer to Note 6 in the accompanying financial statements for further information in respect of these items.

# Financial Review
Continued

## Profit before Tax and Adjusted Profit before Tax

Statutory profit before tax increased 32.6% to €48.2m (2012: €36.4m) due to higher operating profits and higher net exceptional credits in 2013. Excluding the exceptional items, acquisition related amortisation charges and costs, and fair value movements on contingent consideration, adjusted profit before tax increased by 12.5% to €52.9m.

## Taxation

The total tax charge for the year as calculated in the table below amounted to €12.1m (2012: €10.4m), including the Group's share of the tax charge of its joint ventures and associates of €2.1m (2012: €2.3m), which was netted in profit before tax in accordance with IFRS.

As set out in the table below, excluding deferred tax credits related to the amortisation of intangible assets, the tax effect of fair value movements on investment property and other exceptional items, the underlying tax charge for the year was €14.0m (2012: €12.5m), equivalent to a rate of 26.4% (2012: 26.7%) when applied to the Group's adjusted profit before tax.

| | **2013 €'000** | Restated 2012 €'000 |
|---|---|---|
| Income tax expense | **10,040** | 8,179 |
| Group share of the tax charge of its joint ventures and associates netted in profit before tax | **2,057** | 2,258 |
| **Total tax charge** | **12,097** | 10,437 |
| *Adjustments* | | |
| Deferred tax credit on amortisation of intangible assets – subsidiaries | **1,578** | 1,887 |
| Deferred tax credit on amortisation of intangible assets – Group share of joint ventures and associates | **429** | 176 |
| Net deferred tax on fair value movement on properties – subsidiaries | **966** | 43 |
| Net deferred tax credit on fair value movements on investment properties – share of joint ventures | **183** | – |
| Tax impact of other exceptional items | **(1,290)** | – |
| Tax charge on the underlying activities | **13,963** | 12,543 |

## Non-Controlling Interests Share of Profit after Tax

The non-controlling interests share of after tax profits for 2013 was €7.3m (2012: €7.1m). Included in the 2013 charge was the non-controlling interests share of €1.8m (2012: €0.8m) of exceptional items and acquisition related charges and costs. Excluding these non-trading items, the non-controlling interests share of after tax profits increased by €1.2m in 2013 due to the full year effect of the non-controlling interests share of after tax profits of subsidiaries acquired in the second half of 2012 and higher after tax profits in a number of the Group's non-wholly owned subsidiaries in Continental Europe.

## Earnings per Share

Adjusted fully diluted earnings per share increased 10.5% to 8.77 cent (2012: 7.94 cent). Management believe that adjusted earnings per share excluding exceptional items, acquisition related intangible asset amortisation charges and costs and related tax on these items provides a fairer reflection of the underlying trading performance of the Group.

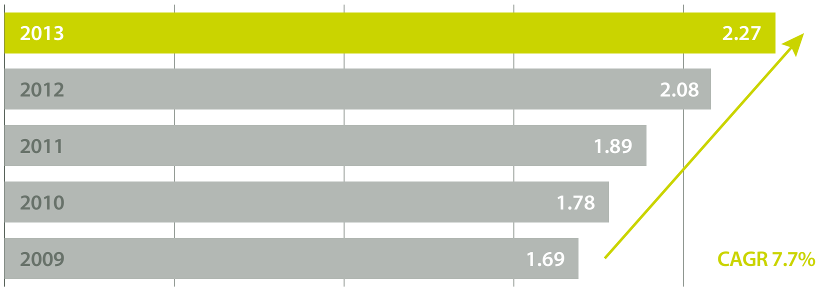
Basic earnings per share and diluted earnings per share after these non-trading items amounted to 9.38 cent (2012: 6.40 cent) and 9.36 cent (2012: 6.40 cent) respectively with the increase due to higher operating profits and net exceptional credits in 2013.

Note 9 of the accompanying financial statements provide details on the calculation of the respective earnings per share amounts.

## Dividend

The Board is proposing a 10% increase in the final dividend to 1.6632 cent per share (2012: 1.512 cent), subject to the approval of shareholders at the forthcoming AGM. If approved, this dividend will be paid on 27 May 2014 to shareholders on the register at 2 May 2014 subject to dividend withholding tax. In accordance with company law and IFRS, this dividend has not been provided for in the balance sheet at 31 December 2013. The total dividend for 2013 will amount to 2.2727 cent per share and represents a 9.3% increase on the 2012 dividend of 2.079 cent.

### Dividend per Share (cent)




### Summary Balance Sheet

| | 2013 €'m | 2012 €'m |
|---|---|---|
| Tangible assets | **141.1** | 149.8 |
| Goodwill and intangible assets | **157.6** | 152.1 |
| Investments (mainly joint ventures and associates) | **55.4** | 62.7 |
| Other (including working capital) | **(11.3)** | 0.4 |
| Contingent and deferred consideration | **(24.8)** | (17.1) |
| Employee benefit liabilities (net of deferred tax) | **(3.9)** | (23.7) |
| Taxation (excluding deferred tax on employee benefit liabilities) | **(17.2)** | (19.2) |
| Net debt | **(11.0)** | (53.0) |
| **Net assets** | **285.9** | 252.0 |
| Shareholders' equity | **217.4** | 187.8 |
| Non-controlling interests | **68.5** | 64.2 |
| **Shareholders' equity and non-controlling interests** | **285.9** | 252.0 |

The balance sheet has strengthened in 2013 with net assets increasing by 13.5% to €285.9m and shareholders' equity increasing by 15.7% to €217.4m.

### Shareholders' Equity

Shareholders' equity increased by 15.7% to €217.4m with profit after tax of €31.0m in the year attributable to equity shareholders and gains of €5.2m attributable to equity shareholders recognised directly in the statement of other comprehensive income, partially offset by dividends paid to equity shareholders of €7.0m.

| | 2013 €'m | Restated 2012 €'m |
|---|---|---|
| **Total shareholders' equity at the beginning of the year** | **187.8** | 176.7 |
| **Profit for the year attributable to equity shareholders** | **31.0** | 21.1 |
| *Other comprehensive income attributable to equity shareholders* | | |
| Remeasurement gains/(losses) arising on defined benefit pension schemes (net of deferred tax) | **9.7** | (9.8) |
| Net revaluation (losses)/gains on property, plant and equipment (net of deferred tax) | **(0.6)** | 1.6 |
| Net (loss)/gain on the translation of net assets of foreign currency denominated operations | **(3.8)** | 4.3 |
| Other | **(0.1)** | (0.2) |
| **Total other comprehensive income attributable to equity shareholders** | **5.2** | (4.1) |
| **Total comprehensive income for the year, net of tax** | **36.2** | 17.0 |
| Share based payment expense | **0.4** | 0.5 |
| Dividends paid to equity shareholders | **(7.0)** | (6.3) |
| Acquisition of non-controlling interests recognised directly in equity | **–** | (0.1) |
| **Total shareholders' equity at the end of the year** | **217.4** | 187.8 |

# Financial Review
Continued

As set out in the table on the previous page, the gain recognised directly in reserves through the statement of other comprehensive income includes remeasurement gains on employee benefit pension schemes offset in part by revaluation losses on own use property, plant and equipment and currency losses on the translation of the net assets of foreign currency denominated operations.

During the year, the Group recorded a remeasurement gain of €9.7m (net of deferred tax) on the Group's employee defined benefit pension schemes as explained in further detail below. As part of the Group's annual revaluation of its own use land and buildings, the share of property revaluation losses, net of tax attributable to equity shareholders for the year was €0.6m. Refer to Note 10 of the accompanying financial statements for further information on revaluation of land and buildings.

As referred to earlier, the Sterling, Swedish Krona, Czech Koruna, US Dollar and Canadian Dollar exchange rates at 31 December 2013 all weakened compared to the rates which prevailed at 31 December 2012 resulting in a net foreign currency loss of €3.8m on the retranslation of the foreign currency denominated net assets into Euro. This net movement was inclusive of translation gains on foreign currency borrowing designated as net investment hedges of foreign currency denominated operations. This annual translation adjustment can be positive or negative depending on the movement between the opening and the closing exchange rates.

## Employee Benefits

| | **2013 €'m** | Restated 2012 €'m |
|---|---|---|
| Net liability at the beginning of the year | **(28.3)** | (18.0) |
| Net interest expense and current service cost recognised in the income statement | **(4.0)** | (3.5) |
| Past service credit arising on modification to Group's defined benefit arrangements recognised in the income statement | **10.3** | – |
| Employer contributions to the schemes | **4.8** | 5.0 |
| Remeasurement gains/(losses) recognised in other comprehensive income | **12.2** | (11.6) |
| Foreign exchange movement | **0.4** | (0.2) |
| **Net pension liability at the end of the year** | **(4.6)** | (28.3) |
| Net related deferred tax asset | **0.7** | 4.6 |
| **Net pension liability at the end of the year after tax** | **(3.9)** | (23.7) |

The table above summarises the movements in the net liability of the Group's various defined benefit pension schemes in Ireland, the UK and Continental Europe. The pension liability at 31 December 2013 was €3.9m (2012: €23.7m), net of deferred tax.

The balance sheet at 31 December 2013 reflects pension scheme assets of €3.3m (2012: €Nil) in respect of schemes in surplus and pension liabilities of €7.9m (2012: €28.3m) in respect of schemes in deficit. Pension scheme assets increased 9.6% to €145.1m (2012: €132.4m) while pension scheme obligations decreased 6.8% to €149.8m (2012: €160.7m).

In determining the valuation of pension obligations, consultation with independent actuaries is required. The estimation of employee benefit obligations requires the determination of appropriate assumptions such as discount rates, inflation rates and mortality rates.

The decrease in the pension liability at 31 December 2013 was primarily due to the credit arising from modifications to the structure of the Group's defined benefit arrangements which resulted in a €10.3m reduction in obligations in the Group's defined benefit schemes and strong returns on pension scheme assets in 2013.

The movement in discount rates did not have a material impact on the pension obligation in the period with the decrease in the Eurozone discount rate to 3.90% (2012: 4.15%) largely offset by the increase in the UK discount rate to 4.60% (2012: 4.30%).

## Funds Flow

Net debt at 31 December 2013 decreased significantly in the year to €11.0m (2012: €53.0m) due to strong operating and free cashflows.

The Group generated operating cash flows of €45.0m (2012: €38.0m) before working capital movements with the increase due to higher profits. There were €14.5m (2012: €12.1m) of working capital inflows in the year assisted by an incremental €12.4m inflow from additional trade receivables financing. Cash outflows on routine capital expenditure, net of disposals, were €12.9m (2012: €7.9m). Dividends received from joint ventures and associates increased to €4.1m (2012: €2.9m) with dividend payments to non-controlling interests increasing to €5.6m (2012: €3.9m).

Free cash flow generated by the Group increased to €45.1m (2012: €41.2m). Free cash flow is the funds available after outflows relating to routine capital expenditure and dividends to non-controlling shareholders but before acquisition expenditure, development capital expenditure and the payment of dividends to equity shareholders. Cash outflows on acquisitions and contingent consideration payments amounted to €17.6m (2012: €14.8m). Development capital expenditure of €1.2m (2012: €3.8m) was down on the prior year. As highlighted earlier, the Group sold its investment in Capespan South Africa and received cash proceeds of €21.7m in 2013. The Group distributed €7.0m (2012: €6.3m) in dividends to equity shareholders in 2013.

There was a positive impact of €2.2m on the translation of foreign currency net debt into Euro at 31 December 2013 primarily due to the weaker Czech Koruna, Sterling, Swedish Krona and US Dollar exchange rates at the year-end compared to the rates prevailing at 31 December 2012.

| | **2013 €'m** | Restated 2012 €'m |
|---|---|---|
| **Adjusted EBITDA** | **74.1** | 69.5 |
| Deduct adjusted EBITDA of joint ventures and associates | **(11.7)** | (11.4) |
| Net financial expense and tax paid | **(16.2)** | (17.6) |
| Other | **(1.2)** | (2.5) |
| **Operating cash flows before working capital movements** | **45.0** | 38.0 |
| Working capital and other movements | **14.5** | 12.1 |
| **Operating cash flows** | **59.5** | 50.1 |
| Routine capital expenditure net of disposal proceeds | **(12.9)** | (7.9) |
| Dividends received from joint ventures and associates | **4.1** | 2.9 |
| Dividends paid to non-controlling interests | **(5.6)** | (3.9) |
| **Free cash flow** | **45.1** | 41.2 |
| Disposal of a joint venture interest | **21.7** | 8.5 |
| Acquisition expenditure (including contingent consideration payments) | **(17.6)** | (14.8) |
| Development capital expenditure | **(1.2)** | (3.8) |
| Dividends paid to equity shareholders | **(7.0)** | (6.3) |
| Other | **(1.2)** | (0.1) |
| **Total cash flow** | **39.8** | 24.7 |
| Net debt at the beginning of the year | **(53.0)** | (75.6) |
| Foreign currency translation | **2.2** | (2.1) |
| **Net debt at the end of the year** | **(11.0)** | (53.0) |

## Net Debt and Group Financing

As outlined above, net debt during the year decreased significantly from €53.0m to €11.0m. At 31 December 2013, the Group had available cash balances including bank deposits of €108.2m and interest-bearing borrowings (including overdrafts) of €119.2m. Net debt to adjusted EBITDA is 0.15 times and interest is covered 11.3 times by adjusted EBITA, both comfortably within existing bank covenants.

## Summary

The Group has generated strong earnings and cash flows in 2013 with a 15.7% increase in shareholder's equity. The Group's balance sheet is in a strong position for future expansion.

F J Davis
**Finance Director**
3 March 2014

# Board of Directors and Secretary

1

3

2

4

## 1. Carl McCann (60)

**Chairman, BBS, MA, FCA**

Carl McCann was appointed as Chairman of Total Produce on 30 December 2006. Prior to this, Carl previously held the role of Chairman of Fyffes plc. He joined Fyffes in 1980 where he held a number of senior positions including that of Vice Chairman before he was appointed Chairman in 2003. He is also Chairman of Balmoral International Land Holdings plc and is a Director of a number of other companies.

## 2. Rory Byrne (53)

**Chief Executive, B Comm, FCA**

Rory Byrne was appointed as Chief Executive of Total Produce on 30 December 2006. Prior to this, Rory was the Managing Director of the Fyffes General Produce division from 2002 and was appointed to the position of Executive Director in 2006. Rory has extensive experience in the fresh produce industry, having joined Fyffes in 1988, and has held a number of senior positions within Fyffes including Finance Director of the Group's UK business and Managing Director of its Spanish operations.

## 3. Frank Davis (54)

**Finance Director, LL.B, MA, FCCA, BL**

Frank Davis was appointed to the position of Finance Director and to the Board of Total Produce on 1 August 2009 having previously held the roles of Company Secretary/CFO from 30 December 2006. Prior to this, Frank was the Finance Director of the General Produce division of Fyffes plc from 2002 to 2006. Frank joined Fyffes in 1983 having previously worked in practice and in industry and has held a number of senior accounting and financial positions in Fyffes, including that of Finance Director of the Irish and UK produce operations. An accountant by profession, he is also a qualified barrister-at-law.

## 4. Frank Gernon (60)

**Director, FCCA**

Frank Gernon ceased his full-time role as Director, Financial Strategy and Development in July 2013 but continues in a part-time Financial Advisory role and remains an executive Director of the Board. Frank has been employed by the Group for over 40 years and was appointed Finance Director of Total Produce on 30 December 2006 and Director, Financial Strategy and Development on 1 August 2009. Prior to this, Frank was the Finance Director of Fyffes plc from 1998 to 2006. Frank joined Fyffes in 1973 and held various senior accounting and financial positions, including Company Secretary and Chief Financial Officer before his appointment as Group Finance Director and to the Board of Directors of Fyffes in 1998.

## 5. Rose Hynes (56)

**Non-Executive, BCL, AITI**

Rose Hynes was appointed to the Board on 28 November 2006. Since her appointment she has been a member of the Audit and Nomination Committees, Chairman of the Group Compensation Committee and the nominated Senior Independent Non-Executive Director. Rose, a lawyer, was appointed Chairman of Bord Gais in 2009 and Chairman of Shannon Airport Authority in 2013. She is also Director of a number of other companies. Rose previously held senior executive positions with the GPA Group plc.

## 6. Jerome Kennedy (65)

**Non-Executive, FCA**

Jerome Kennedy was appointed to the Board on 28 November 2006 and since his appointment has been Chairman of the Audit Committee and a member of the Compensation and Nomination Committees. He is also a board member of Independent News and Media plc and Green REIT plc and is a Non-Executive Director of a number of other private companies. Previously, Jerome was managing partner of KPMG Ireland and a board member of KPMG Europe from 1995 to 2004.

## 7. Seamus Taaffe (62)

**Non-Executive, B Comm, FCA**

Seamus Taaffe was appointed to the Board on 12 October 2012 and on 25 October 2012 was appointed to the Audit Committee. Previously, Seamus was a senior partner in KPMG where he was responsible for the audit of and advising a wide range of listed and mid-market companies. Seamus is also a Non-Executive Director of a number of private Irish companies and organisations.

## 8. Marie Reid (41)

**Company Secretary, B Comm, MAcc, FCA**

Marie Reid was appointed to the position of Company Secretary on 1 August 2009 having previously held the role of Assistant Company Secretary. Prior to the formation of Total Produce, Marie joined Fyffes in 2004 and during this time held a number of senior financial positions. Previously Marie worked with Élan Corporation and KPMG.

# Directors and Other Information

## Total Produce plc

**Directors**
C P McCann, Chairman
R P Byrne, Chief Executive
F J Davis
J F Gernon
R B Hynes
J J Kennedy
S J Taaffe

**Company Secretary**
M T Reid

**Registered Office**
Charles McCann Building
Rampart Road
Dundalk
Co Louth

## Auditor

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

## Registrar

**Computershare Investor Services (Ireland) Limited**
P.O. Box 954
Heron House
Corrig Road
Sandyford Industrial Estate
Dublin 18

## Solicitor

**Arthur Cox**
Arthur Cox Building
Earlsfort Terrace
Dublin 2

## Stockbrokers and Nominated Adviser

**Davy**
49 Dawson Street
Dublin 2

## Principal Bankers

**Allied Irish Banks plc**
Bankcentre
Ballsbridge
Dublin 4

**Bank of Ireland**
Lower Baggot Street
Dublin 2

**BNP Paribas**
5 George's Dock
IFSC
Dublin 1

**Danske Bank A/S**
3 Harbourmaster Place
IFSC
Dublin 1

**HSBC Ireland**
1 Grand Canal Square
Grand Canal Harbour
Dublin 2

**Rabobank Ireland plc**
Charlemont Place
Dublin 2

**Ulster Bank**
George's Quay
Dublin 2

# Directors' Report

The Directors present their report to the shareholders, together with the audited financial statements of the Group and Company, for the year ended 31 December 2013.

## Principal Activities and Business Review

Total Produce plc is one of the largest fresh produce distributors in Europe. A detailed business review is included in the Operating Review on pages 26 to 28 and in the Financial Review on pages 29 to 35, including an analysis of the key performance indicators used to measure performance. These are defined as revenue, margin, volume, average price and adjusted EBITA. Page 40 of this report details the key business and financial risks faced by the Group.

## Profit

Details of the profit for the year are set out in the income statement for the year ended 31 December 2013 on page 55.

## Dividend

An interim dividend of 0.6095 cent (2012: 0.5670 cent) per share was paid on 18 October 2013. The Directors have proposed, subject to shareholder approval at the Annual General Meeting ('AGM'), the payment of a final dividend for 2013 of 1.6632 cent (2012: 1.5120 cent) per share. This total dividend of 2.2727 cent per share is an increase of 9.3% on the total dividend of 2.079 cent per share for 2012.

## Future Developments

A review of future developments of the business is included in the Chairman's Statement on pages 24 to 25.

## Directors and Company Secretary

J F Gernon ceased his full-time role as Director, Financial Strategy and Development in July 2013 but continues in a part-time financial advisory role and remains an Executive Director of the Board. There were no other changes to Directors and Company Secretary during the year.

In accordance with the Articles of Association of the Company C P McCann and J F Gernon retire from the Board by rotation and, being eligible, offer themselves for re-election at the AGM.

## Directors' and Company Secretary's Interests

Details of the Directors' and Company Secretary's share interests and interests in share options of the Company and Group companies are set out in the Compensation Committee Report on pages 47 to 52.

## Substantial Holdings

The issued share capital of Total Produce plc consists of 351,886,732 ordinary shares (including 22,000,000 treasury shares). Each share has a nominal value of 1 cent. All shares, other than treasury shares, have equal voting and dividend rights. The Directors have been notified of the following significant interests in the issued ordinary share capital of the Company at 3 March 2014:

| | Number of ordinary shares | % |
|---|---|---|
| Balkan Investment Company and related parties (*including Arnsberg Investment Company*) | 37,238,334 | 11.29% |
| State Street Global Advisors Ireland Limited | 13,143,151 | 3.98% |
| Sparinvest A/S | 13,041,642 | 3.95% |
| Farringdon Capital Management (Switzerland) SA | 13,022,155 | 3.95% |
| Davy Asset Management | 12,912,973 | 3.91% |
| FMR LLC | 10,000,000 | 3.03% |

Except as disclosed above, the Group is not aware of and has not received any notification from any person confirming that such person is interested, directly or indirectly, in 3% or more of the issued share capital (excluding treasury shares) of the Company, nor is it aware of any person who directly or indirectly, jointly or severally, exercises or could exercise control over the Group.

## Directors' Interests in Contracts

None of the Directors had a beneficial interest in any material contract to which the Company or any of its subsidiaries was a party during the year. One of the Directors had an indirect interest in the Group's investment in a joint venture and this is noted in Note 30 of the accompanying financial statements.

# Directors' Report
(Continued)

## Treasury Shares
At 31 December 2013, the total number of treasury shares amounted to 22,000,000 ordinary 1 cent shares at a cost of €8,580,000 (2012: 22,000,000 1 cent shares at a cost of €8,580,000). These shares represent 6.25% (2012: 6.25%) of the ordinary shares in issue at 31 December 2013. In respect of these treasury shares all rights (including voting and dividend rights) are suspended until those shares are reissued and therefore are not included in the earnings per share calculations.

## Principal Risks and Uncertainties
Under Irish company law, the Group and Company are required to give a description of the principal risks and uncertainties which they face. These principal risks are set out below:

- The Group's earnings are largely dependent on the volume of produce and other goods sold and the selling price obtained in each of the markets it operates in. These in turn are largely determined by market supply and demand. Excess supplies of fresh produce leading to reduced selling prices could have an adverse effect on the Group's profitability.
- The Group faces strong competition in its various markets and, if it fails to compete effectively, its business, results of operations and financial condition could be adversely affected.
- Profitability in the fresh produce sector is dependent on high quality supplies and consistency of delivery. It is possible that serious quality issues, and in particular, contamination of product, whether deliberate or accidental, could have a negative impact on revenue.
- The Group from time to time may enter into seasonal purchase agreements committing it to purchase fixed quantities of produce at fixed prices. The Group is exposed to the risk of losses arising from any inability to sell on these committed quantities and/or achieve the committed price.
- The Group's growth strategy is partly focused on acquisitions and alliances and continuing growth could be adversely affected if the Group is unable to source and execute suitable acquisitions in the future.
- The Group's customer base consists primarily of retailers and wholesalers. The increasing concentration of customers can increase credit risk. Changes in the trading relationships with major customers, or of their procurement policies, could positively or adversely affect the operations and profitability of the Group.
- The Group is exposed to fluctuations in credit markets which could impact the availability and cost of financing for the Group. The Group manages these risks by maintaining a sufficient level of committed funding facilities, with a phased maturity profile.
- Some of the Group's subsidiaries operate in currencies other than the Euro, and adverse changes in foreign exchange rates relative to the Euro could adversely affect Group reported earnings and cash flows.
- The Group is dependent on the continuing commitment of its Directors and senior management team. The loss of such key personnel without adequate replacement could have an adverse effect on the Group's business.
- The Group primarily procures its bananas and pineapples from Fyffes plc ('Fyffes') and consequently is exposed to the performance of Fyffes.

The management team has considerable experience in managing all of these risks, while delivering profit growth.

## Financial Risk Management
The Group's multinational operations expose it to different financial risks that include foreign exchange risk, credit risk, liquidity risk, interest rate risk, and equity price risk. The Group has a risk management programme in place which seeks to limit the impact of these risks on the performance of the Group and it is the policy to manage these risks in a non-speculative manner. Details of the policies and control procedures to manage the financial risks involved, including hedging strategies, are set out in Note 31 of the accompanying financial statements.

## Accounting Records
The Directors believe that they have complied with the requirements of Section 202 of the Companies Act, 1990, with regard to books of account by employing accounting personnel with appropriate expertise and by providing adequate resources to the financial function. The books of account of the Company are maintained at 29 North Anne Street, Dublin 7, Ireland.

## Political Donations
During the current and prior years, the Group and Company did not make any donations disclosable in accordance with The Electoral Act, 1997.

## Post Balance Sheet Events
Post year-end, the Group completed an agreement (subject to regulatory approval) to acquire the second 50% shareholding in All Seasons Fruit ('ASF') in Holland in three stages. An initial 20% shareholding will be acquired on completion with the balance to be acquired in subsequent years. Other than this acquisition there have been no other material events subsequent to 31 December 2013 which would require disclosure or adjustment in the Financial Statements.

## Auditor
The auditor, KPMG, Chartered Accountants, will continue in office in accordance with Section 160(2) of the Companies Act, 1963.

### Subsidiaries, Joint Ventures and Associates
Information on the Group's significant subsidiaries, joint ventures and associates is included in Note 36 of the accompanying financial statements.

### Special Business at the Annual General Meeting
Notice of the 2014 Annual General Meeting ('AGM') with details of the special business to be considered at the meeting is enclosed within this Annual Report on pages 133 to 135. In addition to the usual business to be transacted at the AGM (as set out in resolutions 1 to 4 on the notice of the meeting) there are four items of special business which are described further below. The four items of special business (i.e. Resolutions 5, 6, 7 and 8) all relate to the share capital of the Company and concern matters which are now routine for most public companies.

Under the first item of special business (Resolution 5), shareholders are being asked to renew, until the date of the Annual General Meeting to be held in 2015 or 23 August 2015 (whichever is the earlier), the authority of the directors to allot new shares. This authority will be limited to the allotment of up to an aggregate amount of €1,173,622.44 in nominal value of ordinary shares (being approximately 33.3% of the nominal value of the Company's issued share capital for the time being.

Under the second item of special business (Resolution 6), shareholders are being asked to renew the authority to disapply the strict statutory pre-emption provisions in the event of a rights issue or in any other issue up to an aggregate amount of €176,043.46 in nominal value of ordinary shares, representing 5% of the nominal value of the Company's issued ordinary share capital for the time being. If adopted, this authority will expire on the earlier of the close of business on 23 August 2015 or the date of the Annual General Meeting of the Company in 2015.

Under the third item of special business (Resolution 7), shareholders are being asked to extend the authority granted at the last AGM to give the Company, or any of its subsidiaries, the authority to purchase up to 10% of its own shares. If adopted, this authority will expire on the earlier of the close of business on 23 August 2015 or the date of the Annual General Meeting of the Company in 2015. The Directors are considering exercising this power, if an appropriate opportunity arises. Any such purchases would be made only at price levels which the Directors considered to be in the best interests of the shareholders generally, after taking into account the Company's overall financial position. Any shares which may be purchased will be acquired either directly by the Company or through a subsidiary of the Company and will be held as treasury shares unless cancelled. In addition, the authority being sought from shareholders will provide that the minimum price which may be paid for such shares shall not be less than the nominal value of the shares and the maximum price will be the greater of (i) 105% of the average market price of such shares for the previous five days and (ii) the higher of the price quoted for the last independent trade and the highest current independent bid or offer for such shares.

Shareholders are also being asked under the fourth item of special business (Resolution 8) to pass a resolution authorising the Company to reissue such shares purchased by it and not cancelled as treasury shares. If granted, the minimum and maximum prices at which treasury shares may be reissued shall be set at 95% and 120%, respectively, of the then market price of such shares. This authority will expire on the earlier of the close of business on 23 August 2015 or the date of the Annual General Meeting of the Company in 2015.

### Further Action
A Form of Proxy for use at the AGM is enclosed. You are requested to complete, sign and return the Form of Proxy as soon as possible whether or not you propose to attend the meetings in person. To be valid, the Form of Proxy should be returned by hand or by post to the Registrar of the Company, Computershare Investor Services (Ireland) Limited, P.O. Box 954, Heron House, Corrig Road, Sandyford Industrial Estate, Dublin 18, or by facsimile transmission to the facsimile number printed on the Form of Proxy, to arrive not less than 48 hours before the time appointed for the holding of the meeting. Alternatively, you may submit your votes or appoint a proxy through the internet and instructions on how to do so are found on the Form of Proxy. The completion and return of a form of proxy will not preclude you from attending and voting at the meeting should you so wish.

### Recommendation
Your Board believes that the resolutions to be proposed at the AGM are in the best interests of the Company and its shareholders. Accordingly, your Directors unanimously recommend you to vote in favour of the resolutions as they intend to do in respect of all the ordinary shares which can be voted by them.

On behalf of the Board

**C P McCann**
**Chairman**
3 March 2014

**F J Davis**
**Finance Director**
3 March 2014

# Corporate Governance Report

## Corporate Governance Statement

The Board of Total Produce plc is firmly committed to business integrity, high ethical values and professionalism in all of its activities and operations. It is therefore committed to maintaining the highest standards of corporate governance. As an AIM/ESM listed company, Total Produce plc is not required to report on its application of the UK Corporate Governance Code ('the UK Code') as issued by the Financial Reporting Council in September 2012. However, the Board has undertaken to design appropriate corporate governance arrangements, having regard to best practice, and in particular the UK Code, taking into account the size of the Group and the nature of its activities. This Corporate Governance Report, together with the Audit and Compensation Committees' Reports on pages 46 to 52, describe the corporate governance arrangements in place.

## The Board of Directors

Total Produce plc is led by a strong and effective Board of Directors. The Directors of the Company comprise the following individuals:

**Executive:**

| | |
|---|---|
| C P McCann | *Executive Chairman* |
| R P Byrne | *Chief Executive* |
| F J Davis | *Finance Director* |
| J F Gernon | *Director* |

**Non-Executive:**

| | |
|---|---|
| R B Hynes | *Senior Independent Non-Executive Director, Chairman of the Compensation Committee* |
| J J Kennedy | *Chairman of Audit Committee* |
| S J Taaffe | |

All of the Directors have fiduciary responsibilities to shareholders. In addition, the Executive Directors are responsible for the operation of the business while the Non-Executive Directors bring independent objective judgment to bear on Board decisions by constructively challenging management and helping to develop and execute the Group's strategic objectives.

Each of the Executive Directors has extensive knowledge of the fresh produce industry, in addition to wide-ranging business skills and commercial acumen. All of the Directors bring an objective judgment to bear on issues of strategy, performance, resources (including key appointments) and standards of conduct.

Effective governance is fostered by the separation of the roles of the Executive Chairman and the Chief Executive, as this division of responsibilities at the head of the Group ensures a balance of power and authority. The Executive Chairman has overall responsibility for Group strategy and to see that the Group achieves a satisfactory return on investment for shareholders. He oversees the operation and effectiveness of the Board and ensures appropriate interaction between it, executive management and the Company's shareholders. The Chief Executive is responsible for developing and delivering the Group's strategy, and ensuring, along with the Finance Director, that the Directors receive accurate, timely and clear information, and is accountable for its overall performance and day-to-day management.

## Independence of Non-Executive Directors

The Board has determined all of the Non-Executive Directors to be independent. In arriving at its conclusion, the Board considered many factors including, inter alia, whether any of the Non-Executive Directors:

- has been an employee of the Group within the last five years;
- has, or had within the last three years, a material business relationship with the Group;
- receives remuneration from the Group other than a director's fee;
- has close family ties with any of the Group's advisers, Directors or senior employees;
- holds cross-directorships or has significant links with other Directors through involvement in other companies or bodies; or
- represents a significant shareholder.

Each of the Non-Executive Directors brings considerable business experience and independent challenge to the Board's deliberations and an unfettered perspective to their advisory and monitoring roles.

The Board considers that the three independent Non-Executive Directors are sufficient to maintain the balance between Executive Directors and Non-Executive Directors on the Board.

The terms and conditions relating to the appointment of the Non-Executive Directors are available for inspection at Charles McCann Building, Rampart Road, Dundalk, Co Louth, during normal office hours.

### Senior Independent Non-Executive Director

R B Hynes is the Senior Independent Non-Executive Director.

Board members are selected (see Nomination Committee terms of reference overleaf) because of their relevant experience, and appropriate training is available to them whenever necessary. Arrangements exist for new Directors to receive a full, formal and tailored induction into the Group's activities and into the operation and procedures of the Board on their appointment.

### Operation of the Board

The Board met regularly throughout the financial year with six scheduled Board meetings, in addition to which meetings are called as and when warranted by matters arising. Attendance at scheduled Board and Committee meetings during the year was as follows:

| | Board | Audit Committee | Compensation Committee | Nomination Committee |
|---|---|---|---|---|
| **Number of scheduled meetings** | 6 | 4 | 4 | 2 |
| C P McCann | 6 | – | – | 2 |
| R P Byrne | 6 | – | – | 2 |
| J F Gernon | 6 | 4* | 4* | – |
| F J Davis | 6 | 4* | – | – |
| R B Hynes | 6 | 4 | 4 | 2 |
| J J Kennedy | 6 | 4 | 4 | 2 |
| S J Taaffe | 6 | 4 | – | – |

* In attendance only.

Additional Board or Committee meetings were held to issue formal approvals, or deal with other matters of a routine or administrative nature.

The Chairman held meetings with the Non-Executive Directors without the Executives present. There is interaction, as necessary, between senior executive management and Board members.

The Board has identified and formally adopted a schedule of key matters that are reserved for its decision, including the annual budgets, half-yearly and preliminary results announcements, the Annual Report, interim and final dividends, the appointment or removal of Directors and the Company Secretary, circulars to shareholders, Group treasury policies and capital expenditures and acquisitions in excess of €20 million. Certain other matters are delegated to Board Committees, the details of which are set out below.

There is an agreed Board procedure enabling Directors to take independent professional advice, in the furtherance of their duties, at the Company's expense. Each Board member has access to the impartial advice and services of the Company Secretary, who is responsible to the Board for ensuring that appropriate procedures are followed. The appointment and removal of the Company Secretary is a matter for the Board as a whole. The Company has put in place a Directors' and Officers' liability insurance policy.

The Memorandum and Articles of Association of the Company require that one third of the Board must, by rotation, seek re-election at the AGM each year.

### Evaluation of Performance of the Board, its Committees and Individual Directors

On an annual basis, the Board evaluates its own performance and that of its Committees and of each individual Director.

In assessing the performance of the Board in 2013, the Directors considered such matters as the appropriateness of its composition, its effectiveness in developing Group strategy, its contribution to managing the Group's business and operational risks, its response to developing issues and its communications with the Group's stakeholders.

In assessing the performance of the committees of the Board, the Directors considered the appropriateness of their composition and terms of reference, their effectiveness in fulfilling their roles and their interaction with the Board.

The assessment of the performance of individual Directors included consideration of their contribution to the effective functioning of the Board, the appropriateness of their knowledge, skill and experience levels and their commitment to their roles. In addition, the Non-Executive Directors meet without the Chairman annually to appraise the effectiveness of the Chairman.

# Corporate Governance Report
(Continued)

The Chairman summarised the outcome of these evaluation processes and reported them to the Board. The Board concluded that the Board, the Directors and its Committees were effective in the performance of their duties and composition.

## Board Committees

There are three principal Board committees, the Audit, the Compensation and the Nomination Committees.

### Audit Committee

Full details of the composition, terms of reference and activities of the Audit Committee are set out in the Audit Committee Report on page 46.

### Compensation Committee

Details of the composition and terms of reference of the Compensation Committee, which has responsibility for the remuneration of the Executive Directors and senior management, are set out in the Compensation Committee Report on pages 47 to 52.

### Nomination Committee

The members of the Nomination Committee (the 'Committee') are C P McCann (Chairman), R P Byrne, R B Hynes and J J Kennedy. A majority of the Committee's members cannot be considered independent under the UK code. However, considering the size of the Board, a 50:50 split is considered appropriate by the Board. The terms of reference of the Committee, which are available on request from the Company Secretary, are to evaluate the balance of skills, knowledge and experience of the Board, to consider the need for any new or additional appointments, where necessary to prepare a list of potential candidates and forward the names of potential candidates to the Board for its consideration and, if appropriate, approval.

The Committee regularly assesses the Board composition, the Board members and the various Board roles and concluded that no additional appointments are required at this time. The Committee has further examined the Group succession plans and concluded that they are appropriate.

The Committee and the Board understand the importance of ensuring diversity including gender and the key role a diversified Board plays in ensuring effectiveness. The Board takes diversity into consideration whilst ensuring that the best people are nominated to all appointments, and suitable candidates are selected on the basis of relevant experience, backgrounds, skills and knowledge and insight, having due regard to the benefits of Board diversity.

## Internal Controls and the Management of Risk

The Board is ultimately responsible for the overall system of internal controls applied in the Company and its subsidiaries and for reviewing the effectiveness of these controls. The Group's control system is designed to actively manage rather than eliminate the risks of failure to achieve its business objectives. The internal controls system is designed to provide reasonable (but not absolute) assurance against material misstatement or loss.

Total Produce plc has established a strong internal audit function and its effectiveness is reviewed by the Audit Committee.

Risk management within Total Produce plc is co-ordinated by an Executive Risk Committee ('ERC' or the 'Committee') which directs the implementation of the process consistently throughout the Group. Responsibility for the identification and evaluation of financial, operational and compliance risks is delegated to senior management, which reports back to the Committee. The Committee meets during the year as required to review the relevant findings, and make recommendations. The Committee reports its findings to the Audit Committee, which in turn reports to the Board.

The members of the Committee include the Chief Executive (Chairman), the Finance Director, an Executive Director, the Company Secretary, the Head of Internal Audit and a representative of senior management.

The internal audit and risk management functions complement each other and, together with divisional management, provide the Board with distinct sources of reasonable assurance as to the effectiveness of the system of internal controls that underlies the Group's control environment. The Board conducts its own risk identification and assessment so that it is sufficiently aware of the principal threats to which the Group may be exposed. The Board's review includes financial, operational and compliance controls and risk management systems.

The Board, through the ERC and the Audit Committee, has reviewed the process for identifying and evaluating the significant risks affecting the business and the policies and procedures by which these risks are managed effectively. The Board has embedded these structures and procedures throughout the Group and considers these to be a robust and efficient mechanism for creating a culture of risk awareness at every level of management.

The Directors regard the process of risk management as a positive medium for change, adding value in the interests of shareholders by utilising sound and considered judgment, while simultaneously making the organisation alert to best management practices.

### Communication with Shareholders and the AGM

Communication with shareholders is given a high priority by Total Produce plc. The Group recognises the importance of maintaining regular dialogue and meetings with shareholders to ensure the Group's strategy and performance is understood.

Apart from the AGM, the Group communicates with its shareholders by way of the Annual Report and financial statements. The Group publishes its preliminary and interim results presentations on its website (www.totalproduce.com). Stock Exchange announcements in respect of trading updates and corporate activity are similarly published on the website.

In addition, the Group communicates with its institutional shareholders through analysts' briefings throughout the year but particularly at the time of announcement of the preliminary and interim results.

The Executive Directors and Non-Executive Directors are kept informed on investor issues and the outcome of meetings with shareholders through reports and regular updates.

The Chairman is available to discuss strategy and governance with major shareholders. The Chairman and the Senior Independent Non-Executive Director are available to address concerns with shareholders which cannot be addressed through normal channels.

A business presentation is provided at the Company's AGM followed by a question and answer forum which offers shareholders the opportunity to question the Board. The AGM is valued by the Board as an occasion where individual shareholders' views and suggestions can be noted and considered by the Directors.

Details of proxy voting are announced in respect of each resolution considered at the AGM or at any EGM. The Company will arrange for the Notice of the 2014 AGM and related papers to be sent to shareholders at least 20 clear working days in advance of the meeting.

### Accountability and Audit

The contents of the Operating Review, Financial Review, the Directors' Report and financial statements (in addition to official Company press releases, Stock Exchange Announcements, Preliminary Results Announcements, and Interim Results Announcements) have been reviewed by the Board in order to ensure a balanced and clear presentation so that the Group's position and results may be properly appreciated by shareholders.

A summary of Directors' responsibilities in respect of the financial statements is given on page 53. The system of internal controls and risk management established to safeguard the Company's assets is set out above. The Audit Committee, whose composition and functions are described on page 46, has considered, in conjunction with the external auditor, the accounting policies adopted in the financial statements and has evaluated the internal controls that have been established within the Group and concluded that they are appropriate.

### Environmental Management, Corporate Responsibility and Ethical Trading Initiatives

The European Commission has published recommendations governing the recognition, measurement and disclosure of environmental issues in the annual reports of companies. Although the provisions of the recommendations are not binding on the Group in the conduct of its business, the Group recognises its social responsibility and endorses the growing trend towards environmental accountability.

The Group actively promotes best business practices and standards that seek to enhance the health, education and conditions of workers and their families and to universally encourage the use of sustainable farming methods by its suppliers.

### Going Concern

After making enquiries, the Directors are satisfied that the Company, and the Group as a whole, has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they have adopted the going concern basis in preparing the financial statements.

# Audit Committee Report

## Membership and Responsibilities

The members of the Audit Committee (the 'Committee'), all of whom are independent Non-Executive Directors, are J J Kennedy (Chairman), R B Hynes and S J Taaffe.

The UK Code requires that at least one member of the Audit Committee has recent and relevant financial experience. The Board believes that all members of the Committee satisfy that requirement and that all members are sufficiently knowledgeable in relevant financial matters to enable them to fulfil their responsibilities of the Committee.

These responsibilities are set out in the terms of reference of the Audit Committee, which are available on request from the Company Secretary. They are summarised as follows:

1. to approve the terms of engagement and remuneration of the external auditor and to recommend to the Board, when appropriate, any change in the external auditor;
2. to agree, in advance, with the external auditor the nature and scope of their audit as set out in their audit plan;
3. to annually assess and monitor the independence, objectivity and effectiveness of the external auditor. As part of this process, the Committee reviews the implementation of its policy in relation to the provision of non-audit services by the external auditor, taking into account relevant ethical guidance;
4. to agree with the Board (and to subsequently monitor) a policy on the employment by the Group of former employees of the external auditor;
5. to review the Group's interim results and preliminary results announcements, financial information and full year consolidated financial statements and to report to the Board on the outcome of these reviews. As part of this process, the Committee considers:
   - the appropriateness of the Group's accounting policies, including any changes in these policies;
   - any significant judgmental matters;
   - any significant adjusted and unadjusted audit differences;
   - the continuing appropriateness of the going concern assumption;
   - the contents of the Operating and Financial Reviews as set out in the Annual Report;
   - compliance with relevant financial reporting standards, and related legislative requirements; and
   - compliance with legal and Stock Exchange requirements;
6. to review any issues raised by the external auditor during the conduct of their audit. As part of this review, the Committee considers any report from the external auditor on their findings in relation to the Group's financial systems and controls, together with any management responses. In addition, the Committee reviews the representation letters required by the external auditor as part of the audit, prior to their endorsement by the Board. The Committee also meets the external auditor independently of management at least annually;
7. to review the Group's statement on internal control systems and the risk management framework, prior to endorsement by the Board;
8. to review and to report to the Board on the effectiveness of the Group's internal controls including co-ordination between the internal and external auditors and the adequacy of the internal audit function;
9. to approve, in consultation with the Chairman of the Board, the appointment and removal of the Head of Internal Audit;
10. to consider any major findings from internal investigations and the Company's response;
11. to review the Group's arrangements for employees to raise concerns, in confidence, about possible impropriety in financial reporting or other matters and to ensure there is provision for a proportionate investigation and follow-up of such matters; and
12. to review, at least annually, the Committee's own performance and terms of reference and to recommend any changes it considers necessary to the Board for approval.

## Independence of External Auditor

As part of the approval of the appointment of the external auditor, the Committee sought confirmation from the external auditor that it is, in its professional judgment, independent of Total Produce plc. The Committee monitors the nature, extent and scope of non-audit services provided by the external auditor on an annual basis. In this regard, the engagement of the external auditor to provide any non-audit services, where the expected costs exceed a pre-approved limit, requires the approval of the Audit Committee.

Four key principles underpin the provision of non-audit services by the external auditor, namely that the auditor shall not:

- audit its own firm's work;
- make management decisions for the Group;
- have a mutuality of financial interest with the Group; or
- be put in the role of advocate for the Group.

The amounts paid to the external auditor during the financial year for audit and non-audit services are disclosed on page 78.

The Committee also reviewed the Group's practices in respect of the hiring of former employees of the external auditor in order to assess whether such appointments might affect, or appear to affect, the external auditor's independence. The Committee is advised in advance of any such proposed appointments.

# Compensation Committee Report

## Composition and Terms of Reference of Compensation Committee

The members of the Compensation Committee ('the Committee'), both of whom are independent Non-Executive Directors, are R B Hynes (Chairman) and J J Kennedy. Both members bring significant expertise to their roles on the Committee due to their broad commercial and professional experience over many years as members of other publicly listed companies. These Directors have no financial interest and no potential conflicts of interest, other than as shareholders, in the matters to be decided, arising from cross-directorships and no day-to-day involvement in the running of the business.

The terms of reference, which are available on request from the Company Secretary, of the Committee are summarised as follows:

- to establish the Company's policy on Executive Directors' remuneration;
- to establish the terms of service agreements, remuneration packages and employment conditions of Executive Directors;
- review the ongoing appropriateness and relevance of the remuneration policy;
- the objective of such policy shall be to ensure that members of the executive management of the Company are provided with appropriate incentives to encourage enhanced performance and are, in a fair and responsible manner, rewarded for their individual contributions to the success of the Company;
- within the terms of the agreed policy and in consultation with the Chairman to determine the total individual remuneration package of each Executive Director including bonuses, incentive payments and share options or other share awards;
- where appropriate to recommend to shareholders the establishment of long term incentive schemes, to set appropriate performance targets for such schemes, to define the basis of participation in such schemes and to determine the grant of awards under such schemes;
- to approve the granting of share options to Executive Directors and employees and to determine whether the conditions as set out in Clause 7 of the December 2006 share option scheme have been achieved;
- to ensure that contractual terms on termination and any payments made are fair to the individual and the Company; that failure is not rewarded and that the duty to mitigate loss is fully recognised;
- in determining such packages and arrangements, give due regard to any relevant legal requirements, the recommendations in the UK Code and the Listing Rules of the AIM/ESM and associated guidance;
- to monitor the level and structure of remuneration for senior management as determined by the Board; and
- to review and note annually the remuneration trends across the Company or Group.

The Executive Chairman of Total Produce plc is consulted about the remuneration of other Executive Directors and the Committee is authorised to obtain access to professional advice, if deemed appropriate. The Committee can recommend changes to the remuneration structure for senior management.

The remuneration of the Non-Executive Directors is approved by the Board.

## Remuneration Policy

Total Produce is an international group of companies with activities in 20 countries. The Group's policy on Executive Directors' remuneration is designed to ensure that employment and remuneration conditions for senior executives reward, retain and motivate them to perform in the best interests of shareholders.

The recurring elements of the remuneration package for Executive Directors are basic pensionable salary and benefits, annual bonuses, short term incentive plan and pensions. It is the policy of the Company that at least 70% of the awards to Executive Directors under the short term incentive plan are receivable in Total Produce shares, which together with the grant of options to Executive Directors encourages identification with shareholders' interests.

## Executive Directors' Basic Salary and Benefits

Basic salaries of Executive Directors are reviewed annually by the Committee with regard to personal performance, Group performance and competitive market practice.

## Annual Bonus Awards

The Group provides annual bonus awards, excluding the short term incentive plan, to Executive Directors. The level of these bonus awards in any one year will depend on an assessment of individual performance and the overall performance of the Group. The bonus awards, save in exceptional circumstances, are limited to 150% of the Directors' basic salary. The bonus awards are subject to the approval of the Committee.

# Compensation Committee Report
(Continued)

## Short Term Incentive Plan

The Committee approved a short term incentive plan (the 'Total Produce plc short term incentive plan') for Executive Directors effective for the year ending 31 December 2013 based on achievement of separately agreed performance measures for the Group for the year ending 31 December 2013. A similar plan is in place for the year ending 31 December 2014.

| Performance Measure | Minimum Award | Maximum Award |
|---|---|---|
| Growth in adjusted earnings per share over previous year | 5% of basic salary for EPS growth of 5% | 33% of basic salary for EPS growth of 15% |
| Growth in average share price for the year over the average share price for the previous year | 5% of basic salary for growth in average share price of 5% | 33% of basic salary for growth in average share price of 25% |
| Total shareholder return 'TSR' benchmarked against a comparator group of 16 other companies | 10% of basic salary for achievement of median TSR | 34% of basic salary for achievement of 75th percentile TSR |

Under this plan, a minimum of 70% and up to a maximum of 100% of the award each year is payable in Total Produce shares. The Committee awarded €1,232,000 in payments for the year ended 31 December 2013 (2012: €958,000), €1,106,000 (2012: €958,000) of which is payable in shares which are to be purchased and held by an employee benefit trust for the benefit of the individual participants and cannot normally be disposed of for a period of at least five years from date of purchase. The balance of €126,000 (2012: €Nil) shall be payable in cash. In March 2013, 1,560,688 ordinary shares of 1 cent each were purchased by the Total Produce plc Employee Benefit Trust at market value on behalf of the Executive Directors in respect of the 2012 award of €958,000.

An Executive participating in the short term incentive plan is not eligible for a grant of an award under the employee share option scheme during the term of the plan.

The Non-Executive Directors are not eligible to participate in this scheme.

## Pensions

The Committee has approved an arrangement under which the Executive Directors have agreed to cap their pension entitlements in line with the provisions of the Finance Acts 2006 and 2011 and receive a supplementary, taxable, non-pensionable cash allowance or a contribution to a defined contribution scheme in lieu of the prospective pension entitlements foregone.

In 2006, the Chairman, C P McCann, agreed to cap his pension in line with the provisions of the Finance Act, 2006 and receive a supplementary, taxable, non-pensionable cash allowance in lieu of the prospective pension entitlements foregone. No amounts were paid in either 2012 or 2013.

In 2011, new arrangements were entered into with the other Executive Directors whereby they have agreed to cap their pension entitlements on a similar basis. The actual cash allowances or contributions to a defined contribution scheme in lieu of the prospective pension entitlements foregone for 2013 are detailed in Note 2 on page 50.

In the case of all Directors whose pension entitlements have been capped, pensions are calculated to provide for two thirds of basic pensionable salary to the date of opt-out with benefits in respect of dependants continuing to accrue. The supplementary cash allowances have been reduced to allow for increases in dependants' benefits that accrued during the year.

## Employee Share Option Scheme

It is the Group's policy to grant share options as an incentive to enhance performance and to encourage employee share ownership in the Company. The current employee share option scheme was approved in December 2006. The percentage of share capital which can be issued under the scheme and individual limits comply with institutional guidelines.

At 31 December 2013, options had been granted but not yet exercised over 11,110,000 (2012: 7,060,000) ordinary shares at prices ranging from €0.60 to €0.815 or 3.16% (2012: 2.01%) of the issued ordinary share capital. These included 1,840,000 options granted to Executive Directors and 300,000 options granted to the Company Secretary, further details of which are included in the Directors' share interests disclosed on page 52. No new options were granted to Executive Directors in 2013.

## Employee Profit Sharing Scheme

The Company has an employee profit sharing scheme under which the trustees of this scheme purchase shares in the market on behalf of employees of the Group. In December 2013, 59,182 and 5,906 ordinary 1 cent shares were purchased by the trust at market value on behalf of the Executive Directors and Company Secretary respectively under this scheme in respect of 2013.

Non-Executive Directors do not participate in this scheme. The shares appropriated to the Executive Directors and Company Secretary are included in the Directors' share interests disclosed on page 51.

## Service Contracts

No service contracts exist between the Company and any of the Group's subsidiaries and any Executive or Non-Executive Director.

## Directors' Interests in Contracts

None of the Directors had a beneficial interest in any material contract to which the Company or any of the Group's subsidiaries was a party during the current financial year.

## Directors' Remuneration

The Directors' remuneration for the year was as follows:

| | Executive Directors | | Non-Executive Directors | | Total | |
|---|---|---|---|---|---|---|
| | **2013 €'000** | 2012 €'000 | **2013 €'000** | 2012 €'000 | **2013 €'000** | 2012 €'000 |
| Basic salaries | **1,462** | 1,501 | **–** | – | **1,462** | 1,501 |
| Fees | **–** | – | **210** | 159 | **210** | 159 |
| Annual bonus awards | **759** | 820 | **–** | – | **759** | 820 |
| Other benefits | **46** | 51 | **–** | – | **46** | 51 |
| Pension contributions/related payments | **241** | 304 | **–** | – | **241** | 304 |
| **Remuneration** | **2,508** | 2,676 | **210** | 159 | **2,718** | 2,835 |
| Short Term Incentive Plan | | | | | **1,232** | 958 |
| **Total** | | | | | **3,950** | 3,793 |
| ***Number of Directors (average)*** | **4** | 4 | **3** | 2* | **7** | 6 |

* S J Taaffe was appointed to the Board as a Non-Executive Director on 12 October 2012.

Under the short term incentive plan a €1,232,000 (2012: €958,000) award was made to Executive Directors. Of this award, €1,106,000 (2012: €958,000) is to be applied in the purchase of shares in Total Produce plc which will be held by a Trustee for the benefit of the individual Directors and cannot normally be disposed of for a period of at least five years from date of purchase. The balance of €126,000 (2012: €Nil) shall be payable in cash. See page 48 for further details.

In accordance with IFRS 2 *Share-based Payments*, an expense of €63,000 (2012: €120,000) has been recognised in the income statement in respect of share options granted in the past to Executive Directors.

# Compensation Committee Report
(Continued)

| | Salary or fees €'000 | Annual bonus awards €'000 | Other benefits[4] €'000 | Pension contributions or related payment €'000 | Total 2013 €'000 | Total 2012 €'000 |
|---|---|---|---|---|---|---|
| ***Executives*** | | | | | | |
| C P McCann[1, 2] | **495** | **198** | **19** | **–** | **712** | 623 |
| R P Byrne[2, 3] | **431** | **315** | **–** | **151** | **897** | 906 |
| J F Gernon[2,5] | **250** | **78** | **8** | **–** | **336** | 559 |
| F J Davis[2] | **286** | **168** | **19** | **90** | **563** | 588 |
| | **1,462** | **759** | **46** | **241** | **2,508** | 2,676 |
| ***Non-Executives*** | | | | | | |
| R B Hynes | **72** | **–** | **–** | **–** | **72** | 72 |
| J J Kennedy | **72** | **–** | **–** | **–** | **72** | 72 |
| S J Taaffe[6] | **66** | **–** | **–** | **–** | **66** | 15 |
| | **210** | **–** | **–** | **–** | **210** | 159 |
| **Remuneration** | | | | | **2,718** | 2,835 |
| Short Term Incentive Plan | | | | | **1,232** | 958 |
| **Total** | | | | | **3,950** | 3,793 |

1 C P McCann is also the Chairman of Balmoral International Land Holdings plc ('Balmoral'). In accordance with the terms of the Business Transfer Agreement between Total Produce plc and Balmoral, Total Produce plc recharged an agreed portion of his employment costs (excluding bonus) to Balmoral to reflect the allocation of his time between these two roles. The portion of his time spent in Total Produce plc increased in 2013 and the proportion of his cost paid by Total Produce increased accordingly. All amounts reflected above represent the portion of his remuneration attributable to Total Produce plc, net of agreed recharges to Balmoral.

2 No benefits accrued under the Group's defined benefit pension scheme during 2012 or 2013 and no pension contributions were made on behalf of the Executive Directors to the scheme as their benefits under this scheme are now limited for reasons explained on page 48. As a result, the Compensation Committee approved cash payments or contributions to a defined contribution pension of €151,000, and €90,000 (2012: €151,000 and €90,000) respectively to R P Byrne and F J Davis to compensate each of the Directors for the value of their defined benefit pension entitlements foregone, net of employer's social insurance contributions. J F Gernon did not receive a payment in 2013 (2012: €63,000). No payments were made to C P McCann.

3 €150,000 of the annual bonus awarded to R P Byrne for this performance in 2013 was paid into a defined contribution pension scheme on his behalf.

4 Other benefits above for Executive Directors relate entirely to motor expenses.

5 The remuneration for J F Gernon for 2013 reflects the change in his role in July 2013 as explained on page 39.

6 The remuneration for S J Taaffe for 2012 is in respect of the period from his appointment as Non-Executive Director on 12 October 2012.

### Short Term Incentive Plan

As explained on page 48, the Committee awarded €1,232,000 in payments to Executive Directors for the year ended 31 December 2013, of which €1,106,000 is payable in shares which are to be purchased and held by the trustees of the Total Produce plc short term incentive plan for the benefit of the individual participants and cannot normally be disposed of for a period of at least five years from the date of purchase. The balance of €126,000 shall be payable in cash. The awards to individual Executive Directors were as follows: C P McCann (€432,000), R P Byrne (€376,000), J F Gernon (€174,000) and F J Davis (€250,000).

The Committee awarded €958,000 in payments to Executive Directors for the year ended 31 December 2012, which were paid in shares on 7 March 2013. On this date the trustees of the Total Produce plc short term incentive plan purchased a total number of 1,560,688 ordinary shares of Total Produce plc. The ordinary shares are held by the Trust on behalf of the Directors, and cannot normally be disposed of for a period of at least five years from the date of purchase. The details of shares allotted to individual Directors are as follows: C P McCann (505,089 shares), R P Byrne (488,684 shares), J F Gernon (233,298 shares) and F J Davis (333,617 shares).

## Pension Entitlements of Executive Directors

The pension benefits attributable to the Executive Directors during the year, and the total accrued pensions at the end of the year, were as follows:

| | **Increase in accrued pension during 2013 (a) €'000** | **Transfer value of increase during 2013 (b) €'000** | **Total accrued pension at 31 Dec 2013 (c) €'000** | Increase in accrued pension during 2012 (a) €'000 | Transfer value of increase during 2012 (b) €'000 | Total accrued pension at 31 Dec 2012 (c) €'000 |
|---|---|---|---|---|---|---|
| ***Executive Directors*** | | | | | | |
| C P McCann | **–** | **–** | **227** | – | – | 227 |
| R P Byrne | **–** | **–** | **143** | – | – | 143 |
| J F Gernon | **–** | **–** | **–** | – | – | 221 |
| F J Davis | **–** | **–** | **116** | – | – | 116 |
| | **–** | **–** | **486** | – | – | 707 |

(a) The increase in accrued pension during the year excludes inflation. No net increase accrued in the year to any Director as the inflationary increase each Director would have received reduced the value of the pension benefits by more than the increase in value of dependants' pension benefits accrued.

(b) The transfer value of the increase in accrued pension has been calculated based on actuarial advice. These transfer values do not represent sums paid or due, but are the amounts that the pension scheme would transfer to another pension scheme in relation to the benefits accrued in the year, in the event of a member of the scheme leaving service.

(c) This represents the pension which would be paid annually, on normal retirement date, based on service to the end of this accounting period.

## Directors' and Company Secretary's Share Interests

The interests of the Directors and the Company Secretary in the issued share capital of Total Produce plc at 31 December 2013 together with their interests at 31 December 2012 are shown below:

| | **Number of Ordinary shares at 31 December 2013** | Number of Ordinary shares at 31 December 2012 |
|---|---|---|
| ***Directors*** | | |
| C P McCann | **2,949,245** | 2,429,154 |
| R P Byrne | **1,591,635** | 1,088,775 |
| J F Gernon | **1,152,103** | 903,803 |
| F J Davis | **1,113,486** | 764,867 |
| R B Hynes | **50,000** | 50,000 |
| J J Kennedy | **50,000** | 50,000 |
| S J Taaffe | **50,000** | – |
| ***Company Secretary*** | | |
| M T Reid | **152,048** | 146,142 |

All of the above interests were beneficially owned.

# Compensation Committee Report
(Continued)

## Directors' and Company Secretary's Interests in Share Options

Information on Directors' and Company Secretary's share options to subscribe for ordinary shares of the Company at year-end is set out below.

| | Options held at 31/12/12 | Granted | Exercised | **Options held at 31/12/13** | Exercise price | Earliest date from which exercisable (if vested) | Expiry date |
|---|---|---|---|---|---|---|---|
| **Executive Directors** | | | | | | | |
| C P McCann | 275,000 | – | – | **275,000*** | 0.65 | 20/09/2010 | 19/09/2017 |
| | 300,000 | – | – | **300,000*** | 0.60 | 05/03/2011 | 04/03/2018 |
| R P Byrne | 275,000 | – | – | **275,000*** | 0.65 | 20/09/2010 | 19/09/2017 |
| | 300,000 | – | – | **300,000*** | 0.60 | 05/03/2011 | 04/03/2018 |
| J F Gernon | 200,000 | – | – | **200,000*** | 0.65 | 20/09/2010 | 19/09/2017 |
| | 190,000 | – | – | **190,000*** | 0.60 | 05/03/2011 | 04/03/2018 |
| F J Davis | 160,000 | – | – | **160,000*** | 0.65 | 20/09/2010 | 19/09/2017 |
| | 140,000 | – | – | **140,000*** | 0.60 | 05/03/2011 | 04/03/2018 |
| **Company Secretary** | | | | | | | |
| M T Reid | 100,000 | – | – | **100,000*** | 0.815 | 09/05/2010 | 08/05/2017 |
| | 75,000 | – | – | **75,000*** | 0.60 | 05/03/2011 | 04/03/2018 |
| | – | 125,000 | – | **125,000** | 0.669 | 26/03/2016 | 25/03/2023 |

The market price of the Company's shares at 31 December 2013 was €0.82 and the range during 2013 was €0.56 to €0.868. There have been no movements in the share interests and interest in share options of the Directors or Company Secretary between the year-end and 3 March 2014. Options granted are only exercisable when the adjusted earnings per share figure, in respect of the third or any subsequent accounting period after the end of the base year (i.e. accounting period preceding the date of the grant), is greater than the adjusted earnings per share figure for the base year by a percentage which is not less than (on a year-on-year basis) the annual percentage increase in the consumer price index plus 5% compounded during that period.

* These options have vested at 31 December 2013. Please see Note 28 for further details.

# Statement of Directors' Responsibilities in Respect of the Annual Report and the Financial Statements

The Directors are responsible for preparing the Annual Report and the Group and Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and Company financial statements for each financial year. Under that law and in accordance with AIM/ESM Rules, the Directors have elected to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and have elected to prepare the Company financial statements in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Acts, 1963 to 2013.

The financial statements are required by law and IFRSs as adopted by the EU to present fairly the financial position and performance of the Group and Company; the Companies Acts, 1963 to 2013 provide in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

In preparing each of the Group and Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- comply with the applicable International Reporting Standards as adopted by the EU, subject to any material departures disclosed and explained in the Financial Statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

The Directors are responsible for keeping proper books of account that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Acts, 1963 to 2013. They are also responsible for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and the requirements of the AIM/ESM Rules issued by the Irish and London Stock Exchanges, the Directors are also responsible for preparing a Directors' Report and reports relating to Directors' remuneration that comply with that law and those rules. The Directors have also elected to prepare a report on Corporate Governance. The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in Ireland governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

On behalf of the Board

| | |
|---|---|
| **C P McCann** | **F J Davis** |
| **Chairman** | **Finance Director** |

# Independent Auditor's Report to the Members of Total Produce plc

We have audited the group and parent company financial statements ('financial statements') of Total Produce plc for the year ended 31 December 2013 which comprise the Group Income Statement, the Group Statement of Comprehensive Income, the Group and Company Statements of Changes in Equity, the Group and Company Balance Sheets, the Group and Company Statements of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is Irish law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Acts 1963 to 2013.

This report is made solely to the Company's members, as a body, in accordance with section 193 of the Companies Act 1990. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

## Respective Responsibilities of Directors and Auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 53 the directors are responsible for the preparation of the financial statements giving a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with Irish law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Ethical Standards for Auditors issued by the Auditing Practices Board.

## Scope of the Audit of the Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

## Opinion on Financial Statements

In our opinion:

- the group financial statements give a true and fair view, in accordance with IFRSs as adopted by the EU, of the state of the group's affairs as at 31 December 2013 and of its profit for the year then ended;
- the parent company balance sheet gives a true and fair view, in accordance with IFRSs as adopted by the EU as applied in accordance with the provisions of the Companies Acts 1963 to 2013, of the state of the parent company's affairs as at 31 December 2013; and
- the financial statements have been properly prepared in accordance with the Companies Acts 1963 to 2013 and, as regards the group financial statements, Article 4 of the IAS Regulation.

## Matters on Which We Are Required to Report by the Companies Acts 1963 to 2013

We have obtained all the information and explanations which we consider necessary for the purposes of our audit.

The parent company balance sheet is in agreement with the books of account and, in our opinion, proper books of account have been kept by the Company.

In our opinion the information given in the directors' report is consistent with the financial statements and the description in the Corporate Governance Statement of the main features of the internal control and risk management systems in relation to the process for preparing the group financial statements is consistent with the group financial statements.

The net assets of the Company, as stated in the company balance sheet are more than half of the amount of its called-up share capital and, in our opinion, on that basis there did not exist at 31 December 2013 a financial situation which under Section 40(1) of the Companies (Amendment) Act, 1983 would require the convening of an extraordinary general meeting of the Company.

## Matters on Which We Are Required to Report by Exception

We have nothing to report in respect of the following:

Under the Companies Acts 1963 to 2013 we are required to report to you if, in our opinion the disclosures of directors' remuneration and transactions specified by law are not made.

**Tom McEvoy**
**for and on behalf of KPMG**
**Chartered Accountants, Statutory Audit Firm**
1 Stokes Place
St. Stephen's Green
Dublin 2
Ireland

3 March 2014

# Group Income Statement
for the year ended 31 December 2013

| | Notes | Before exceptional items 2013 €'000 | Exceptional items (Note 6) 2013 €'000 | Total 2013 €'000 | Restated* Before exceptional items 2012 €'000 | Restated* Exceptional items (Note 6) 2012 €'000 | Restated* Total 2012 €'000 |
|---|---|---|---|---|---|---|---|
| Revenue, including Group share of joint ventures and associates | 1 | **3,174,828** | **–** | **3,174,828** | 2,810,571 | – | 2,810,571 |
| **Group revenue** | | **2,637,693** | **–** | **2,637,693** | 2,431,826 | – | 2,431,826 |
| Cost of sales | | **(2,274,977)** | **–** | **(2,274,977)** | (2,092,874) | – | (2,092,874) |
| **Gross profit** | | **362,716** | **–** | **362,716** | 338,952 | – | 338,952 |
| Operating expenses (net) | 2 | **(321,055)** | **6,751** | **(314,304)** | (301,686) | 303 | (301,383) |
| Share of profit of joint ventures | 3 | **2,805** | **(259)** | **2,546** | 2,553 | – | 2,553 |
| Share of profit of associates | 3 | **2,455** | **–** | **2,455** | 2,019 | – | 2,019 |
| **Operating profit** | | **46,921** | **6,492** | **53,413** | 41,838 | 303 | 42,141 |
| Financial income | 4 | **2,123** | **–** | **2,123** | 1,851 | – | 1,851 |
| Financial expense | 4 | **(7,301)** | **–** | **(7,301)** | (7,606) | – | (7,606) |
| **Profit before tax** | | **41,743** | **6,492** | **48,235** | 36,083 | 303 | 36,386 |
| Income tax expense | 7 | **(9,716)** | **(324)** | **(10,040)** | (8,222) | 43 | (8,179) |
| **Profit for the year** | | **32,027** | **6,168** | **38,195** | 27,861 | 346 | 28,207 |
| *Attributable to:* | | | | | | | |
| Equity holders of the parent | | | | **30,936** | | | 21,127 |
| Non-controlling interests | | | | **7,259** | | | 7,080 |
| | | | | **38,195** | | | 28,207 |
| *Earnings per ordinary share:* | | | | | | | |
| Basic | 9 | | | **9.38 cent** | | | 6.40 cent |
| Fully diluted | 9 | | | **9.36 cent** | | | 6.40 cent |

* See page 62.

On behalf of the Board

**C P McCann**
**Chairman**

**F J Davis**
**Finance Director**

# Group Statement of Comprehensive Income
for the year ended 31 December 2013

| | Notes | 2013 €'000 | Restated* 2012 €'000 |
|---|---|---|---|
| **Profit for the year** | | **38,195** | 28,207 |
| **Other comprehensive income:** | | | |
| *Items that may be reclassified subsequently to profit or loss:* | | | |
| Foreign currency translation effects: | | | |
| – foreign currency net investments – subsidiaries | | **(6,302)** | 5,282 |
| – foreign currency net investments – joint ventures and associates | 13 | **(2,469)** | 367 |
| – foreign currency losses reclassified to the income statement on disposal of joint venture and associates investments | 13 | **1,044** | 1,489 |
| – foreign currency borrowings designated as net investment hedges | | **3,428** | (2,606) |
| Effective portion of cash flow hedges, net | 4 | **(165)** | 2 |
| Deferred tax on items taken directly to other comprehensive income | 7 | **41** | (1) |
| Share of joint ventures and associates fair value adjustments on AFS equity investments | 13 | **(15)** | – |
| *Items that will not be reclassified to profit or loss:* | | | |
| Remeasurement gains/(losses) on employee defined benefit pension schemes | 28 | **12,164** | (11,543) |
| Revaluation (losses)/gains on property, plant and equipment, net | 10 | **(1,630)** | 1,771 |
| Deferred tax on items takes directly to other comprehensive income | 7 | **(1,181)** | 1,736 |
| Share of joint ventures and associates actuarial losses on defined benefit pension scheme | 13 | **(40)** | (331) |
| Share of joint ventures and associates deferred tax on items taken directly to other comprehensive income | 13 | **10** | 116 |
| **Other comprehensive income for the year, net of tax** | | **4,885** | (3,718) |
| **Total comprehensive income for the year, net of tax** | | **43,080** | 24,489 |
| *Attributable to:* | | | |
| Equity holders of the parent | | **36,159** | 17,022 |
| Non-controlling interests | 19 | **6,921** | 7,467 |
| | | **43,080** | 24,489 |

* See page 62.

# Group Balance Sheet
as at 31 December 2013

| | Notes | 2013 €'000 | 2012 €'000 |
|---|---|---|---|
| *Assets* | | | |
| **Non-current** | | | |
| Property, plant and equipment | 10 | **133,948** | 138,753 |
| Investment property | 11 | **7,150** | 11,067 |
| Goodwill and intangible assets | 12 | **157,643** | 152,098 |
| Investments in joint ventures and associates | 13 | **54,761** | 62,086 |
| Other financial assets | 14 | **649** | 636 |
| Other receivables | 16 | **5,090** | 6,505 |
| Deferred tax assets | 26 | **6,801** | 9,473 |
| Employee benefits | 28 | **3,282** | – |
| **Total non-current assets** | | **369,324** | 380,618 |
| **Current** | | | |
| Inventories | 15 | **48,142** | 45,565 |
| Trade and other receivables | 16 | **279,095** | 279,263 |
| Corporation tax receivables | | **201** | 1,971 |
| Derivative financial instruments | 31 | **20** | – |
| Bank deposits | 17 | **4,740** | 3,799 |
| Cash and cash equivalents | 17 | **103,463** | 105,692 |
| **Total current assets** | | **435,661** | 436,290 |
| **Total assets** | | **804,985** | 816,908 |
| *Equity* | | | |
| Share capital | 18 | **3,519** | 3,519 |
| Share premium | 18 | **252,574** | 252,574 |
| Other reserves | 18 | **(114,096)** | (110,043) |
| Retained earnings | | **75,369** | 41,752 |
| **Total equity attributable to equity holders of the parent** | | **217,366** | 187,802 |
| Non-controlling interests | 19 | **68,524** | 64,162 |
| **Total equity** | | **285,890** | 251,964 |
| *Liabilities* | | | |
| **Non-current** | | | |
| Interest-bearing loans and borrowings | 20 | **114,311** | 154,797 |
| Deferred government grants | 23 | **1,681** | 1,876 |
| Other payables | 22 | **1,775** | 1,881 |
| Provisions | 24 | **17,535** | 15,336 |
| Corporation tax payable | | **6,973** | 7,569 |
| Deferred tax liabilities | 26 | **13,621** | 16,100 |
| Employee benefits | 28 | **7,940** | 28,324 |
| **Total non-current liabilities** | | **163,836** | 225,883 |
| **Current** | | | |
| Interest-bearing loans and borrowings | 20 | **4,879** | 7,721 |
| Trade and other payables | 22 | **340,406** | 326,805 |
| Provisions | 24 | **6,435** | 1,785 |
| Derivative financial instruments | 31 | **645** | 341 |
| Corporation tax payable | | **2,894** | 2,409 |
| **Total current liabilities** | | **355,259** | 339,061 |
| **Total liabilities** | | **519,095** | 564,944 |
| **Total liabilities and equity** | | **804,985** | 816,908 |

On behalf of the Board

C P McCann
**Chairman**

F J Davis
**Finance Director**

# Group Statement of Changes in Equity
for the year ended 31 December 2013

| | Attributable to equity holders of the parent | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital €'000 | Share premium €'000 | Currency translation reserve €'000 | Revaluation reserve €'000 | De-merger reserve €'000 | Own shares reserve €'000 | Other equity reserves €'000 | Retained earnings €'000 | **Total €'000** | Non-controlling interests €'000 | **Total equity €'000** |
| **As at 1 January 2013** | **3,519** | **252,574** | **(1,483)** | **20,914** | **(122,521)** | **(8,580)** | **1,627** | **41,752** | **187,802** | **64,162** | **251,964** |
| **Comprehensive income** | | | | | | | | | | | |
| Profit for the year | – | – | – | – | – | – | – | **30,936** | **30,936** | **7,259** | **38,195** |
| **Other comprehensive income:** | | | | | | | | | | | |
| *Items that may be reclassified subsequently to profit or loss:* | | | | | | | | | | | |
| Foreign currency translation effects, net | – | – | **(3,790)** | – | – | – | – | – | **(3,790)** | **(509)** | **(4,299)** |
| Effective portion of cash flow hedges, net | – | – | – | – | – | – | **(94)** | – | **(94)** | **(71)** | **(165)** |
| Deferred tax on items taken directly to other comprehensive income | – | – | – | – | – | – | **23** | – | **23** | **18** | **41** |
| Share of joint ventures and associates fair value adjustments on AFS equity investments | – | – | – | – | – | – | – | **(15)** | **(15)** | – | **(15)** |
| *Items that will not be reclassified subsequently to profit or loss:* | | | | | | | | | | | |
| Revaluation (losses)/gains on property, plant and equipment, net | – | – | – | **(1,663)** | – | – | – | – | **(1,663)** | **33** | **(1,630)** |
| Remeasurement gains on defined benefit pension schemes | – | – | – | – | – | – | – | **12,019** | **12,019** | **145** | **12,164** |
| Deferred tax on items taken directly to other comprehensive income | – | – | – | **1,068** | – | – | – | **(2,295)** | **(1,227)** | **46** | **(1,181)** |
| Share of joint ventures and associates remeasurement losses on defined benefit schemes | – | – | – | – | – | – | – | **(40)** | **(40)** | – | **(40)** |
| Share of joint ventures and associates deferred tax on remeasurement losses on defined benefit pension schemes | – | – | – | – | – | – | – | **10** | **10** | – | **10** |
| Total other comprehensive income | – | – | **(3,790)** | **(595)** | – | – | **(71)** | **9,679** | **5,223** | **(338)** | **4,885** |
| **Total comprehensive income** | – | – | **(3,790)** | **(595)** | – | – | **(71)** | **40,615** | **36,159** | **6,921** | **43,080** |
| **Transactions with equity holders of the parent** | | | | | | | | | | | |
| Non-controlling interests arising on acquisition (Note 19) | – | – | – | – | – | – | – | – | – | **3,428** | **3,428** |
| Acquisition of non-controlling interests (Note 19) | – | – | – | – | – | – | – | **1** | **1** | **(423)** | **(422)** |
| Contribution by non-controlling interests (Note 19) | – | – | – | – | – | – | – | – | – | **15** | **15** |
| Dividends paid (Notes 8 and 19) | – | – | – | – | – | – | – | **(6,999)** | **(6,999)** | **(5,579)** | **(12,578)** |
| Share-based payment transactions (Note 28) | – | – | – | – | – | – | **403** | – | **403** | – | **403** |
| **Total transactions with equity holders of the parent** | – | – | – | – | – | – | **403** | **(6,998)** | **(6,595)** | **(2,559)** | **(9,154)** |
| **As at 31 December 2013** | **3,519** | **252,574** | **(5,273)** | **20,319** | **(122,521)** | **(8,580)** | **1,959** | **75,369** | **217,366** | **68,524** | **285,890** |

| | Attributable to equity holders of the parent – Restated | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital €'000 | Share premium €'000 | Currency translation reserve €'000 | Revaluation reserve €'000 | De-merger reserve €'000 | Own shares reserve €'000 | Other equity reserves €'000 | Retained earnings €'000 | Restated Total €'000 | Restated* Non-controlling interests €'000 | Restated* Total equity €'000 |
| **As at 1 January 2012** | 3,519 | 252,574 | (5,808) | 19,296 | (122,521) | (8,580) | 1,153 | 37,066 | 176,699 | 60,041 | 236,740 |
| **Comprehensive income** | | | | | | | | | | | |
| Profit for the year | – | – | – | – | – | – | – | 21,127 | 21,127 | 7,080 | 28,207 |
| **Other comprehensive income:** | | | | | | | | | | | |
| *Items that may be reclassified subsequently to profit or loss:* | | | | | | | | | | | |
| Foreign currency translation effects, net | – | – | 4,325 | – | – | – | – | – | 4,325 | 207 | 4,532 |
| Effective portion of cash flow hedges, net | – | – | – | – | – | – | 2 | – | 2 | – | 2 |
| Deferred tax on items taken directly to other comprehensive income | – | – | – | – | – | – | (1) | – | (1) | – | (1) |
| *Items that will not reclassified subsequently to profit or loss:* | | | | | | | | | | | |
| Revaluation gains on property, plant and equipment, net | – | – | – | 1,422 | – | – | – | – | 1,422 | 349 | 1,771 |
| Remeasurement losses on defined benefit pension schemes | – | – | – | – | – | – | – | (11,371) | (11,371) | (172) | (11,543) |
| Deferred tax on items taken directly to other comprehensive income | – | – | – | 196 | – | – | – | 1,537 | 1,733 | 3 | 1,736 |
| Share of joint ventures and associates remeasurement losses on defined benefit pension scheme | – | – | – | – | – | – | – | (331) | (331) | – | (331) |
| Share of joint ventures and associates deferred tax on remeasurement losses on defined benefit pension schemes | – | – | – | – | – | – | – | 116 | 116 | – | 116 |
| Total other comprehensive income | – | – | 4,325 | 1,618 | – | – | 1 | (10,049) | (4,105) | 387 | (3,718) |
| **Total comprehensive income** | – | – | 4,325 | 1,618 | – | – | 1 | 11,078 | 17,022 | 7,467 | 24,489 |
| **Transactions with equity holders of the parent** | | | | | | | | | | | |
| Non-controlling interests arising on acquisition (Note 19) | – | – | – | – | – | – | – | – | – | 481 | 481 |
| Acquisition of non-controlling interests (Note 19) | – | – | – | – | – | – | – | (68) | (68) | – | (68) |
| Contribution by non-controlling interest (Note 19) | – | – | – | – | – | – | – | – | – | 59 | 59 |
| Dividends paid (Notes 8 and 19) | – | – | – | – | – | – | – | (6,324) | (6,324) | (3,886) | (10,210) |
| Share-based payment transactions (Note 28) | – | – | – | – | – | – | 473 | – | 473 | – | 473 |
| **Total transactions with equity holders of the parent** | – | – | – | – | – | – | 473 | (6,392) | (5,919) | (3,346) | (9,265) |
| **As at 31 December 2012** | 3,519 | 252,574 | (1,483) | 20,914 | (122,521) | (8,580) | 1,627 | 41,752 | 187,802 | 64,162 | 251,964 |

* See page 62.

# Group Statement of Cash Flows
for the year ended 31 December 2013

| | Notes | 2013 €'000 | Restated* 2012 €'000 |
|---|---|---|---|
| **Net cash flows from operating activities before working capital movements** | 32 | **45,031** | 37,992 |
| Movements in working capital | 32 | **14,444** | 12,066 |
| **Net cash flows from operating activities** | | **59,475** | 50,058 |
| **Investing activities** | | | |
| Acquisition of subsidiaries, net of cash acquired | 27 | **(2,472)** | (3,307) |
| Acquisition of, and investment in joint ventures and associates | 13 | **(12,148)** | (9,392) |
| Loans advanced to joint ventures and associates | 13 | **(210)** | (256) |
| Dividends received from joint ventures and associates | 13 | **4,056** | 2,909 |
| Payments of contingent consideration | 24 | **(2,296)** | (1,855) |
| Acquisition of property, plant and equipment | | **(13,392)** | (11,892) |
| Expenditure on computer software | 12 | **(1,265)** | (649) |
| Development expenditure capitalised | 12 | **(165)** | (146) |
| Proceeds from disposal of property, plant and equipment | | **609** | 874 |
| Proceeds from disposal of joint ventures and associates | 6 | **21,677** | 8,456 |
| Acquisition of other financial assets | 14 | **(28)** | (2) |
| Government grants received | 23 | **153** | 599 |
| **Net cash flows from investing activities** | | **(5,481)** | (14,661) |
| **Financing activities** | | | |
| Drawdown of borrowings | | **11,048** | 32,647 |
| Repayment of borrowings | | **(47,577)** | (39,268) |
| Increase in bank deposits | | **(941)** | (3,799) |
| Decrease/(increase) in cash held in escrow | 17 | **11,360** | (11,580) |
| Capital element of lease repayments | | **(1,315)** | (1,135) |
| Acquisition of non-controlling interests | 19 | **(422)** | (68) |
| Capital contribution by non-controlling interests | 19 | **15** | 59 |
| Dividends paid to non-controlling interests | 19 | **(5,579)** | (3,886) |
| Dividends paid to equity holders of the parent | 8 | **(6,999)** | (6,324) |
| **Net cash flows from financing activities** | | **(40,410)** | (33,354) |
| Net increase in cash, cash equivalents and bank overdrafts | | **13,584** | 2,043 |
| Net foreign exchange difference | | **(1,366)** | 1,104 |
| Cash, cash equivalents and bank overdrafts at 1 January | | **88,960** | 85,813 |
| **Cash, cash equivalents and bank overdrafts at 31 December** | 17 | **101,178** | 88,960 |

# Group Reconciliation of Net Debt
for the year ended 31 December 2013

| | Notes | 2013 €'000 | 2012 €'000 |
|---|---|---|---|
| Net increase in cash, cash equivalents and bank overdrafts | | **13,584** | 2,043 |
| Drawdown of borrowings | | **(11,048)** | (32,647) |
| Repayment of borrowings | | **47,577** | 39,268 |
| Increase in bank deposits | | **941** | 3,799 |
| (Decrease)/increase in cash held in escrow | | **(11,360)** | 11,580 |
| Capital element of lease repayments | | **1,315** | 1,135 |
| Other movements on finance leases | | **(1,187)** | (535) |
| Foreign exchange movement | | **2,218** | (2,117) |
| **Movement in net debt** | | **42,040** | 22,526 |
| **Net debt at 1 January** | | **(53,027)** | (75,553) |
| **Net debt at 31 December** | 21 | **(10,987)** | (53,027) |

* See page 62.

# Significant Accounting Policies
for the year ended 31 December 2013

## Reporting Entity

Total Produce plc (the 'Company') is a company tax resident and incorporated in Ireland. The consolidated financial statements as at, and for the year ended, 31 December 2013 comprise the Company and its subsidiaries (together referred to as the 'Group') and the Group's interests in associates and jointly controlled entities.

The individual and Group financial statements of the Company were authorised for issue by the Directors on 3 March 2014.

The accounting policies for the year ended 31 December 2013 are set out below.

## Statement of Compliance

As permitted by European Union (EU) law and in accordance with AIM/ESM rules, the consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and their interpretations issued by the International Accounting Standards Board (IASB) as adopted by the EU.

The individual financial statements of the Company ('Company financial statements') have been prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the Companies Acts, 1963 to 2013 which permits a company that publishes its Company and Group financial statements together to take advantage of the exemption in Section 148(8) of the Companies Act, 1963, from presenting to its members its Company income statement and related notes that form part of the approved Company financial statements.

The IFRSs adopted by the EU and applied by the Company and Group in the preparation of these financial statements are those that were effective for the accounting period ending 31 December 2013 and the early adoption of the amendment to IAS 36 *Impairment of Assets (Amended).*

## Basis of Preparation

The consolidated financial statements, which are presented in Euro, the Company's functional currency, rounded to the nearest thousand (unless otherwise stated), have been prepared under the historical cost convention, except for the following material items:

- derivative financial instruments are measured at fair value;
- financial instruments at fair value through profit or loss are measured at fair value;
- biological assets are measured at fair value less estimated point of sale costs;
- land and buildings and investment property are measured at fair value;
- contingent consideration is measured at fair value.

The methods used to measure fair values are discussed further within the relevant notes.

The preparation of financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. The key estimates and assumptions used in applying the Group's accounting policies and in measuring its assets and liabilities are set out in Note 33.

## Changes in Accounting Policy and Disclosures

The accounting policies adopted are consistent with those of the previous year except for the following new and amended IFRS and IFRIC interpretations adopted by the Group and Company in these financial statements.

- IFRS 7 *Financial Instruments: Disclosures (Amended)*
- IFRS 13 *Fair Value Measurement*
- IAS 1 *Presentation of Financial Statements (Amended)*
- IAS 12 *Income Taxes (Amended)*
- IAS 16 *Property, Plant and Equipment (Amended)*
- IAS 19 *Employee Benefits (2011)*
- IAS 32 *Financial Instruments: Presentation (Amended)*
- IAS 34 *Interim Financial Reporting (Amended)*
- IAS 36 *Impairment of Assets* (*Amended*), Early Adopted

# Significant Accounting Policies
for the year ended 31 December 2013 (Continued)

The following new standards had an impact on the results and financial position of the Group for the year ended 31 December 2013.

**IAS 19 Employee Benefits (2011) ('IAS 19R')**
As a result of IAS 19R, the Group has changed its accounting policy with respect to the basis for determining the income or expense related to defined benefit schemes. The main impact of applying IAS 19R is in the income statement, with the replacement of the expected return on plan assets item and unwinding of discount on the defined benefit obligation with a single line item calculating the net interest on the (deficit)/surplus.

The impact on the Group's comparative Income Statement and Statement of Cash Flows for the year ended 31 December 2012:

- an additional pension cost in the Group Income Statement of €715,000 for the year ended 31 December 2012, due to the increase in the net interest cost, with a corresponding decrease in remeasurement losses on defined benefit pension schemes recognised in the Group Statement of Comprehensive Income
- this resulted in a reduction in the income tax charge in the Group Income Statement of €140,000 for the year ended 31 December 2012 with a corresponding decrease in deferred tax credit on items recognised directly in reserves in the Group Statement of Comprehensive Income
- a reduction in the non-controlling interests charge in the Group Income Statement of €5,000 for the year ended 31 December 2012 with a corresponding reduction in the non-controlling interests share of items recognised in the Group Statement of Comprehensive Income
- there was no impact on the employee defined benefit pension net deficit in the Group Balance Sheet
- a reduction in the Group's basic earnings per share and diluted earnings per share of 0.18 cent and a reduction in the Group's adjusted fully diluted earnings per share of 0.17 cent
- A decrease of €715,000 in the profit before tax in the Group Statement of Cash Flows and an increase in the defined benefit pension scheme expense of €715,000 with no effect on cash flows from operating activities.

**IFRS 13 Fair Value Measurement ('IFRS 13')**
IFRS 13 establishes a single framework for measuring fair value and making disclosures about fair value measurements when such measurements are required or permitted by other IFRSs. It unifies the definition of fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It replaces and expands the disclosure requirements in other IFRSs, including IFRS 7. As a result the Group has included additional disclosures in this regard in its 2013 Annual Report (see Notes 10, 11, 24 and 31).

In accordance with the transitional provisions of IFRS 13, the Group has applied the new fair value measurement guidance prospectively and has not provided any comparative information for new disclosures with the exception of a reclassification of the presentation of fair value movements on contingent consideration. Notwithstanding the above, the change had no significant impact on the measurements of the Group's assets and liabilities.

As a result of the application of IFRS 13, the Group has amended the presentation and classification of fair value movements on contingent consideration. Under the provisions of IFRS 13, all fair value movements on items measured at fair value must be presented as a single line item on the Group income statement. The Group has elected to present fair value movements on the remeasurement of contingent consideration within other operating income/(expense). In 2012, the Group presented interest charges on unwinding the net present value of contingent consideration within financial expense and revisions to contingent consideration estimates within other operating income/(expense). The Group has restated the comparative 2012 income statement to ensure conformity of presentation with the current year.

The impact on the Group's comparative income statement for the year ended 31 December 2012 was as follows:

- other operating income decreases by €190,000
- other operating expenses increases by €465,000
- finance expense decreases by €655,000

There is no effect on the Group's profit before tax or any of the Group's earnings per share measures. There was also no effect on the Group's Balance Sheet at 31 December 2012.

**IAS 1 Presentation of Financial Statements**
As a result of amendments to IAS 1 the Group now presents separately in the Group Statement of Comprehensive Income items that would be reclassified to profit or loss in future from those that would not be. Comparative information has also been re-presented accordingly.

**Other Standards**
The amendments to other standards did not have a significant impact of the Group or Company financial statements.

## Accounting for Subsidiaries, Joint Ventures and Associates

### Group Financial Statements

Subsidiaries

Subsidiaries are those entities over which the Group has the power to control the operating and financial policy so as to obtain economic benefit from its activities. Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases. The amounts included in these financial statements in respect of the subsidiaries are taken from their latest financial statements prepared up to their respective year-ends, together with management accounts for the intervening periods to the period-end, where necessary. All significant subsidiaries have coterminous financial year ends. Where appropriate, the accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

Intra-group balances and any unrealised gains and losses or income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements, except to the extent they provide evidence of impairment.

Profit or loss and each component of other comprehensive income are attributed to the equity shareholders of the parent of the Group, and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

Joint Ventures and Associates

Joint ventures are those entities over which the Group exercises control jointly, under a contractual agreement, with one or more parties. Associates are those entities in which the Group has significant influence, but not control of the financial and operating policies. Investments in joint ventures and associates are accounted for by using the equity method of accounting. Under the equity method of accounting, the Group's share of the post-acquisition profits or losses of its joint ventures and associates are recognised in the Group income statement. The income statement reflects in profit before tax the Group's share of profit after tax of its joint ventures and associates in accordance with IAS 31 *Interests in Joint Ventures* and IAS 28 *Investments in Associates*.

The Group's interest in their net assets is included as investments in joint ventures and associates in the Group balance sheet at an amount representing the Group's share of the fair value of the identifiable net assets at acquisition plus the Group's share of post-acquisition retained income and expenses and goodwill arising on the Group's investment. The amounts included in these financial statements in respect of the post-acquisition income and expenses of joint ventures and associates are taken from their latest financial statements prepared up to their respective financial year-ends together with management accounts for the intervening periods to the period end, where appropriate. All material joint ventures and associates have either coterminous financial year-ends, or accounting year-ends within three months of that of the Group. In the case of the latter, adjustments are made for the effects of significant transactions or events that occur between that date and the date of the Group's financial statements. Where appropriate, the accounting policies of joint ventures and associates have been changed to ensure consistency with the policies adopted by the Group.

Unrealised gains and income and expenses arising from transactions with associates and jointly controlled entities are eliminated to the extent of the Group's interest in the equity. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that they are not evidence of impairment.

When the Group's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of the investment, including any long term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

### Company Financial Statements

Investments in subsidiaries, joint ventures and associates are carried at cost less impairment. Dividend income is recognised when the right to receive payment is established.

# Significant Accounting Policies
for the year ended 31 December 2013 (Continued)

## Business Combinations
Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefit from its activities. In assessing control, the Group takes into account potential voting rights that are currently exercisable.

### Acquisitions on or After 1 January 2010
For acquisitions on or after 1 January 2010, the Group measures goodwill at the acquisition date as the fair value of the consideration transferred plus the recognised amount of any non-controlling interests in the acquiree plus, if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree less the fair value of the identifiable assets and acquired liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts relating to the settlement of pre-existing relationships, which are generally recognised in profit or loss. Costs associated with the acquisition, except those relating to the issue of debt or equity securities, are expensed as incurred.

Contingent consideration is measured at fair value at the date of acquisition. Where the contingent consideration is classified as equity it is not subsequently remeasured and the settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of contingent consideration are recognised in profit or loss.

When share-based payment awards are required to be exchanged for awards held by the acquiree's employees and relate to past services, then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination.

The determination is based on the market-based value of the replacement awards compared with the market-based value of the acquiree's awards and the extent to which the replacement awards relate to past and/or future service.

### Acquisitions Before 1 January 2010
For acquisitions prior to 1 January 2010, goodwill represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess was negative, a bargain purchase gain was recognised immediately in profit or loss. Subsequent to acquisition, any fair value remeasurements to contingent consideration are adjusted against goodwill.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurred in connection with the business combinations were capitalised as part of the cost of acquisition.

## Acquisitions of Non-controlling Interests
Under IAS 27 *Consolidated and Separate Financial Statements* (2008), acquisitions of non-controlling interests are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognised as a result of these transactions. The adjustment to non-controlling interests is based on a proportionate amount of the net assets of the subsidiary.

For transactions completed prior to 1 January 2010, goodwill was recognised on the acquisition of non-controlling interests in a subsidiary, which represented the excess of the cost of additional investment over the carrying amount of the interest in the net assets acquired at the date of the transaction.

## Fair Value Measurement of Pre-existing Interests in Acquiree
In accordance with IFRS 3 Revised *Business Combinations* the cost of an acquiree acquired in stages is measured using the 'fair value as deemed cost' method. The cost of an acquiree acquired in stages is measured as the sum of the fair value of previously held interest plus the fair value of any additional consideration transferred at the date the additional investment is made. Any resulting gain or loss on fair valuing the original investment is taken to the income statement and any other comprehensive income recognised in prior periods in relation to the previously held shareholding is reclassified to the income statement.

## Goodwill

Goodwill represents amounts arising on acquisition of subsidiaries, joint ventures and associates as a result of the fair value of consideration transferred exceeding net identifiable assets and liabilities acquired. In respect of business acquisitions initiated since 1 January 2004, goodwill is measured as set out in the business combinations note above. In respect of acquisitions prior to this date, goodwill is included on the basis of its deemed cost in the consolidated balance sheet, i.e. original cost less accumulated amortisation since acquisition up to 31 December 2003, which represents the amount recorded under Irish GAAP. As permitted by IFRS 1 *First Time Adoption of International Financial Reporting Standards*, IFRS 3 *Business Combinations* was not applied to previous transactions and therefore the reclassification and accounting treatment of business combinations that occurred prior to 1 January 2004 was not reconsidered. Goodwill is allocated to cash-generating units and is not amortised but is tested annually for impairment at a consistent time each financial year. Goodwill is now stated at cost or deemed cost less any accumulated impairment losses. In respect of joint ventures and associates, the carrying amount of goodwill is included in the carrying amount of the investment.

Goodwill which arose on acquisitions prior to 1 November 1998 was eliminated against reserves on acquisition as a matter of the accounting policy applicable at the time. In preparing the Group's IFRS balance sheet at 1 January 2004, this goodwill was considered to have been permanently offset against retained earnings and, on any subsequent disposal, will not form part of the measurement of the gain or loss on the disposal of the business.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

## Intangible Assets

### Research and Development

Expenditure on research activities undertaken with the prospect of gaining new scientific or technical knowledge and understanding is recognised in the income statement as an expense as incurred.

Development activities involve a plan or design for the production of new and substantially improved products and processes. Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalised includes the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use. Capitalised expenditure is measured at cost less accumulated amortisation. Capitalised development expenditure is amortised to the income statement on a straight line basis over its expected useful life of between five and seven years.

### Customer Relationships, Supplier Relationships and Brands

Intangible assets acquired as part of a business combination are valued at their fair value at the date of acquisition. These include customer relationships, supplier relationships and brands. Intangible assets are amortised to the income statement on a straight line basis over the period of their expected useful lives as follows:

- customer relationships: 3-15 years;
- supplier relationships: 3-15 years;
- brands: 10-15 years.

### Software Costs

Costs incurred on the acquisition of computer software and software licences are capitalised. Other costs directly associated with developing and maintaining computer software programmes are capitalised once the recognition criteria set out in IAS 38 Intangible Assets are met. Computer Software is amortised over periods of three to five years using the straight line method.

# Significant Accounting Policies
for the year ended 31 December 2013 (Continued)

## Property, Plant and Equipment

Land and buildings are measured at fair value with changes in fair value reflected within the statement of comprehensive income, except impairment losses, which are recognised in the income statement. The fair value is the price that would be returned if the asset were sold in an orderly transaction between market participants based on the asset's highest and best use. Such valuations are determined taking into consideration values of comparable transactions for similar properties in the same locations as those of the Group where they are available or on the use of valuation techniques including the use of market yield on comparable properties. Information on the basis on which such valuations were undertaken in the year is set out in Note 10.

Where appropriate, registered independent appraisers having relevant recognised professional qualifications and recent experience in the locations and categories prepare the valuations every three to five years, with valuations updated annually in the interim by Directors, having due regard to advice of professionally qualified consultants, where necessary. Where there is an absence of or reduced level of transactions of a similar nature, the valuations of such properties are determined by Directors with reference to local knowledge, valuation techniques and judgment in consultation with property advisers.

Plant and equipment is stated at cost less accumulated depreciation and impairment losses. Expenditure incurred to replace a component of property, plant and equipment that is accounted for separately is capitalised. Other subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the item of property, plant and equipment. All other expenditure, including repairs and maintenance costs, is recognised in the income statement as an expense as incurred.

Depreciation is calculated to write off the carrying amount of property, plant and equipment, other than freehold land, on a straight line basis, by reference to the following estimated useful lives:

- freehold buildings: 30-50 years;
- leasehold improvements: over the lesser of 40 years or the unexpired portion of the lease;
- plant and equipment: 5-15 years;
- motor vehicles: 5 years.

The residual value of assets, if not insignificant, and the useful life of assets are reassessed annually. Gains and losses on disposals of property, plant and equipment are recognised on the completion of sale. Gains and losses on disposals are determined by comparing the proceeds received with the carrying amount and are included in operating profit.

## Investment Property

Investment property, principally comprising land, office buildings and warehouses, is property (including separate, self-contained parts of such buildings) which is held for rental income or capital appreciation and is not occupied by the Group. Investment property is stated at fair value. The fair value is the price that would be returned if the asset were sold in an orderly transaction between market participants based on the asset's highest and best use. Such valuations are determined by benchmarking against comparable transactions for similar properties in the same locations as those of the Group or on the use of valuation techniques including the use of market yield on comparable properties. Information on the basis on which such valuations were undertaken in the year is set out in Note 11. All gains or losses arising from a change in fair value are recognised in the income statement. When property is transferred to investment property following a change in its use, any differences arising at the date of transfer between the carrying amount of the property prior to transfer and its fair value is recognised in equity if it is a gain. Upon disposal of the property, the gain is transferred to retained earnings. Any loss arising in this manner, unless it represents the reversal of a previously recognised gain, is recognised in the income statement.

## Biological Assets

Certain of the Group's joint ventures and associates, involved in the production of fresh produce, hold biological assets, which include agricultural produce due for harvest on plantations. Biological assets are measured at fair value less estimated point of sale costs, with any resultant gain or loss recognised in the income statement. Point of sale costs include all costs that would be necessary to sell the assets, excluding costs necessary to get the assets to market.

## Foreign Currency Including Net Investment Hedges

Transactions in foreign currencies are translated into the functional currency of the entity at the foreign exchange rate ruling at the date of the transaction. Non-monetary assets carried at historic cost are not subsequently retranslated. Non-monetary assets carried at fair value are subsequently remeasured at the exchange rate at the date of valuation.

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into the functional currency at the foreign exchange rate ruling at that date. Foreign exchange movements arising on translation are recognised in the income statement.

The assets and liabilities of foreign currency denominated operations, including goodwill and fair value adjustments arising on consolidation, are translated to Euro at the foreign exchange rates ruling at the reporting date. The income and expenses of foreign currency denominated operations are translated to Euro at the average exchange rate for the year. Foreign exchange movements arising on translation of the net investment in a foreign operation, including those arising on long term intra-Group loans deemed to be quasi equity in nature, are recognised directly in other comprehensive income, in the currency translation reserve. The portion of exchange gains or losses on foreign currency borrowings used to provide a hedge against a net investment in a foreign operation that is designated as a hedge of those investments is recognised directly in other comprehensive income to the extent that they are determined to be effective. The ineffective portion is recognised immediately in the income statement.

Any movements that have arisen since 1 January 2004, the date of transition to IFRS, are recognised in the currency translation reserve and are reclassified through the income statement on disposal of the related business. Translation differences that arose before the date of transition to IFRS in respect of all non-Euro denominated operations are not presented separately.

### Impairment of Non-financial Assets

The carrying amounts of the Group's assets other than inventories (which are carried at the lower of cost and net realisable value), certain financial assets (which are carried at fair value) and deferred tax assets (which are recognised based on recoverability), are tested for impairment when an event or transaction indicates that an impairment may have occurred, except for goodwill and indefinite lived intangibles which are tested annually for impairment. If any such indication exists, an impairment test is carried out and the asset is written down to its recoverable amount as appropriate.

The recoverable amount of an asset is the greater of its net selling price and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Goodwill and intangible assets with an indefinite useful life are tested for impairment at 31 October each year. Impairment losses are recognised in the income statement. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units and then to reduce the carrying amount of the other assets in the unit on a pro-rata basis.

An impairment loss, other than in the case of goodwill, is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

### Inventories

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

### Cash and Cash Equivalents

Cash and cash equivalents comprise cash balances and call deposits, including bank deposits of less than three months maturity on acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the cash flow statement.

### Employee Benefits

#### Short Term Employee Benefits

Short term employee benefits are recognised as an expense as the related employee service is received.

#### Retirement Benefit Obligations – Group Financial Statements

Obligations for contributions to defined contribution pension schemes are recognised as an expense in the income statement as services from employees are received. Under such schemes, the Group has no obligation to make further contributions to these schemes beyond the contracted amount. Prepaid contributions are recognised as an asset to the extent that the employee service has not yet been received.

The defined benefit pension asset or liability in the Group balance sheet comprises the total for each plan of the present value of the defined benefit obligation less any past service cost not yet recognised and less the fair value of plan assets (measured at bid value) out of which the obligations are to be settled directly.

# Significant Accounting Policies
for the year ended 31 December 2013 (Continued)

The liabilities and costs associated with the Group's defined benefit pension schemes are assessed on the basis of the projected unit credit method by professionally qualified actuaries and are arrived at using actuarial assumptions based on market expectations at the balance sheet date.

The discount rates employed in determining the present value of the schemes' liabilities are determined by reference to market yields at the balance sheet date on high-quality corporate bonds of a currency and term consistent with the currency and term of the associated post-employment benefit obligations. The expected increase in the present value of scheme liabilities arising from employee service in the current or prior periods is recognised in arriving at the operating profit or loss together with the expected returns on the schemes' assets and the increase during the period in the present value of the schemes' liabilities arising from the passage of time. Differences between the expected and the actual return on plan assets, together with the effect of changes in the current or prior assumptions underlying the liabilities, are recognised in other comprehensive income.

When the benefits of a defined benefit scheme are changed, the related income or expense is recognised immediately in the income statement as a past service cost. Settlements and curtailments trigger immediate recognition of the consequent change in obligations and related assets in the income statement.

**Retirement Benefit Obligations – Company Financial Statements**
The Company is not the sponsoring employer for any of the Group's defined benefit pension schemes. There is no stated policy within the Group in relation to the obligations of Group companies to contribute to scheme deficits. Group companies make contributions to the schemes as requested by the sponsoring employers.

**Employee Share-based Payment Transactions**
The Group grants equity settled share-based payments to employees. The fair value of these payments is determined at the date of grant and is expensed to the income statement on a straight-line basis over the vesting period. The fair value is determined using a binomial model, as measured at the date of grant, excluding the impact of any non-market conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to vest.

At each balance sheet date, the Group revises its estimates of the number of options or awards that are expected to vest, recognising any adjustment in the income statement, with a corresponding adjustment to equity.

## Taxation
Taxation on the profit or loss for the financial year comprises current and deferred tax. Taxation is recognised in the income statement except to the extent that it relates to items recognised directly in other comprehensive income, in which case the related tax is recognised in other comprehensive income.

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

Deferred tax is provided using the balance sheet liability method on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. If the temporary difference arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction does not affect accounting or taxable profit or loss, it is not recognised. Deferred tax is provided on temporary differences arising on investments in subsidiaries, joint ventures and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future or where no taxation is expected to arise on any ultimate remittance. The amount of deferred tax provided is based on the expected manner of the realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

## Assets Held Under Leases

### Finance Leases

Leases of property, plant and equipment, where the Group retains substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased item and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant interest charge on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in interest-bearing loans and borrowings, allocated between current and non-current as appropriate. The interest element of the finance cost is charged to the income statement over the lease period. Assets held under finance leases are depreciated over the shorter of their expected useful lives or the lease term, taking into account the time period over which benefits from the leased assets are expected to accrue to the Group.

### Operating Leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases, net of incentives received from the lessor, are charged to the income statement on a straight-line basis over the period of the lease. Income earned from operating leases is credited to the income statement when earned.

## Government Grants

Government grants for the acquisition of assets are recognised at their fair value when there is reasonable assurance that the grant will be received and any conditions attaching to them have been fulfilled. The grant is held on the balance sheet as a deferred credit and released to the income statement over the periods appropriate to match the related depreciation charges, or other expenses of the asset, as they are incurred.

## Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and the outflow can be measured reliably. If the effect is material, provisions are measured by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

## Share Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Where any Group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (after taxes), is deducted from equity attributable to the Company's equity holders until the shares are sold, reissued or cancelled.

## Financial Instruments

### Trade and Other Receivables

Trade and other receivables are initially measured at fair value and are thereafter measured at amortised cost using the effective interest method less any provision for impairment. A provision for impairment of trade and other receivables is recognised when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables.

### Trade and Other Payables

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

### Short Term Bank Deposits

Short term bank deposits of greater than three months maturity on acquisition that do not meet the definition of cash and cash equivalents are classified as financial assets within current assets and stated at fair value in the balance sheet.

### Equity Investments

Equity investments held by the Group and Company are classified as available-for-sale financial assets and are stated at fair value, with any resultant gain or loss being recognised directly in other comprehensive income (in the available-for-sale reserve), except for impairment losses and, in the case of monetary items such as debt securities, foreign exchange gains and losses. When a devaluation of these assets is significant or prolonged, it is removed from the available-for-sale reserve and shown as an impairment loss in the income statement. When these investments are derecognised, the cumulative gain or loss previously recognised directly in other comprehensive income is recognised in the income statement. Where these investments are interest-bearing, interest calculated using the effective interest method is recognised in the income statement. To the extent such investments represent strategic investments, the Group classifies income and expense arising as other operating income and expense.

# Significant Accounting Policies

for the year ended 31 December 2013 (Continued)

### Derivative Financial Instruments

Foreign currency derivatives are entered into only when they match an existing foreign currency asset or liability or where they are used to hedge a forecasted transaction. The Group does not enter into speculative transactions. Derivative financial instruments are measured at fair value at each reporting date and the movement in fair value is recognised in the income statement unless they are designated as cash flow hedges under IAS 39. Where such instruments are classified as cash flow hedges, and subject to the satisfaction of certain criteria relating to the documentation of the risk, objectives and strategy for the hedging transaction and the ongoing measurement of its effectiveness, they are accounted for in accordance with hedge accounting rules. In such cases, any gain or loss arising on the effective portion of the derivative instrument is recognised in the other comprehensive income hedging reserve, as a separate component of equity. Gains or losses on any ineffective portion of the derivative are recognised in the income statement. When the hedged transaction matures, the related gains or losses in the hedging reserve are transferred to the income statement.

When the hedged item is a non-financial asset, the amount accumulated in equity is retained in other comprehensive income and reclassified to profit or loss in the same period or periods during which the non-financial item affects profit or loss. In other cases, the amount accumulated in other comprehensive income is reclassified to profit or loss in the same period that the hedged item affects profit or loss. If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. If the forecast transaction is no longer expected to occur, then the balance in other comprehensive income is reclassified to profit or loss.

### Interest-bearing Borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

### Revenue

Revenue comprises the fair value of the sale of goods, excluding value added tax, delivered to or collected by third party customers during the accounting period and after eliminating sales within the Group. Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods are transferred to the buyer.

### Finance Income and Finance Expense

Finance income comprises interest income on funds invested and dividends received from available-for-sale financial assets. Interest income is recognised as it accrues using the effective interest method. Dividends are recognised when received.

Finance expense comprises interest expense on borrowings, unwinding of the discount on provisions, borrowing extinguishment costs and arrangement fees. Borrowing costs incurred in the construction of major assets which take a substantial period of time to complete are capitalised in the financial period in which they are incurred. All other finance costs are recognised in the income statement using the effective interest method.

### Segmental Reporting

Operating segments, defined as components of the Group that engage in business activities from which they may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components, are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision-Maker ('CODM'). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Directors of the Board.

### Exceptional Items

The Group has adopted an accounting policy which seeks to highlight significant items within the Group's results. The Group believes that this presentation provides a more helpful analysis as it highlights one-off items and non-trading items. Such items may include significant restructuring costs, profit or loss on disposal or termination of operations, litigation costs and settlements, profit or loss on disposal of investments and significant impairment of assets, significant movements on contingent consideration, together with significant fair value movements recognised in respect of investment properties. Judgment is used by the Group in assessing the particular items which by virtue of their scale and nature, should be disclosed in the income statement and related notes as exceptional items.

### Dividend Distribution

Dividends on ordinary shares are recognised as a liability in the Group's financial statements in the period in which they are declared by the Company. In the case of interim dividends, these are considered to be declared when they are paid. In the case of final dividends, these are declared when approved by the shareholders at the AGM.

## New Standards and Interpretations Not Applied

The following amendments to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2014 or later periods, but have not been early adopted:

| Standard/Interpretation | **Effective date – for accounting periods beginning on or after** |
|---|---|
| IFRS 9 *Financial Instruments (2010)*<br>– Introduces new requirements for classifying and measuring financial assets, for the classification and measurement of financial liabilities, and carrying over the existing derecogniton requirements for IAS 39 *Financial Instruments*. | Not yet available |
| IFRS 10 *Consolidated Financial Statements*<br>– Introduces new principles for determining how an entity should be included in the consolidated financial statements of the parent company. The standard also provides additional guidance to assist in the determination of control where this is difficult to assess. | 1 January 2014 |
| IFRS 11 *Joint Arrangements*<br>– Replaces IAS 31 *Interests in Joint Ventures*. Requires a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations and then account for those rights and obligations in accordance with that type of joint arrangement. | 1 January 2014 |
| IFRS 12 *Disclosure of Interests in Other Entities*<br>– Requires the extensive disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with, interests in other entities and the effects of those interests on its financial positions, financial performance and cashflows. | 1 January 2014 |
| IAS 27 *Separate Financial Statements (2011)*<br>– Now only deals with requirements for separate financial statements. Requirements for consolidated financial statements are now contained in IFRS 10 *Consolidated Financial Statements*. | 1 January 2014 |
| IAS 28 *Investments in Associates and Joint Ventures (2011)*<br>– Accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. | 1 January 2014 |
| IAS 32 *Financial Instruments: Presentation*<br>– Offsetting of financial assets and liabilities. | 1 January 2014 |

### Effect on the Group

IFRS 10 *Consolidated Financial Statements* which is effective from 1 January 2014 provides additional guidance to assist in the determination of control. This new standard requires the Group to assess whether the existing treatment of its subsidiaries, associate and joint venture undertakings remains appropriate. Total Produce has not concluded on the impact of this standard but it will not have any effect on the Group's earnings per share or shareholders' funds.

IFRS 11 *Joint Arrangements* replaces IAS 31 and SIC 13. It classifies joint arrangements as either joint operations or joint ventures and focuses on the rights and obligations of the arrangement rather than the legal form. Proportionate consolidation, which Total Produce has never applied, is being removed and the equity method will be mandatory. IFRS 11 is not expected to have a material impact on the consolidated financial statements of the Group.

IFRS 12 *Disclosures of Interests in Other Entities* will be effective from 1 January 2014 and will address the disclosure requirements of all forms of interests in other entities, including joint arrangements, associates, joint ventures and special purpose vehicles. This new standard may result in additional disclosures in respect of the Group's interests.

# Notes to the Group Financial Statements
for the year ended 31 December 2013

## 1. Segmental Analysis

IFRS 8 *Operating Segments* ('IFRS 8') sets out the requirements for disclosure of financial and descriptive information about the operating segments, products, and geographical areas in which the Group operates, as well as information on major customers. In accordance with IFRS 8, the Group's reportable operating segments, based on how performance is assessed and resources are allocated, are as follows:

- *Eurozone Fresh Produce*: This segment is an aggregation of operating segments in the Eurozone involved in the procurement, marketing and distribution of fresh produce. These operating segments have been aggregated because they have similar economic characteristics.
- *Northern Europe Fresh Produce*: This operating segment is involved in the procurement, marketing and distribution of fresh produce in Northern Europe.
- *UK Fresh Produce*: This operating segment is involved in the procurement, marketing and distribution of fresh produce in the United Kingdom.
- *International Fresh Produce*: This segment is an aggregation of operating segments outside of Europe involved in the procurement, marketing and distribution of fresh produce.
- *Healthfoods and Consumer Products Distribution*: This segment is a full service marketing and distribution partner to the healthfoods, pharmacy, grocery and domestic consumer products sectors. This segment distributes to retail and wholesale outlets in Ireland and in the United Kingdom.

Following recent corporate finance activities detailed in Note 13 and Note 27, the Directors re-assessed how performance was monitored throughout the Group and as a result the Group's reportable operating segments have been re-aligned in the current year. Operating segments for 2012 have been restated.

Segmental performance is evaluated based on revenue and adjusted EBITA. Management believe that adjusted EBITA, while not defined under IFRS, provides a fair reflection of the underlying trading performance of the Group. Adjusted EBITA represents earnings before interest, tax, acquisition related intangible assets amortisation charges and costs, fair value movements on contingent consideration and exceptional items. It also excludes the Group's share of these items within joint ventures and associates. Adjusted EBITA is therefore measured differently from operating profit in the Group financial statements as explained and reconciled in detail in the analysis that follows.

Finance costs, finance income and income taxes are managed on a centralised basis. These items are not allocated between operating segments for the purposes of the information presented to the Chief Operating Decision-Maker ('CODM') and are accordingly omitted from the detailed segmental analysis that follows.

### Segmental Operating Performance

| | **2013** | | | Restated* 2012 | | |
|---|---|---|---|---|---|---|
| | **Segmental revenue €'000** | **Third party revenue €'000** | **Adjusted EBITA €'000** | Segmental revenue €'000 | Third party revenue €'000 | Adjusted EBITA €'000 |
| Fresh Produce | | | | | | |
| – Eurozone | **1,493,567** | **1,476,503** | **22,962** | 1,328,042 | 1,307,654 | 21,023 |
| – Northern Europe | **900,413** | **884,186** | **23,431** | 802,837 | 789,508 | 22,033 |
| – UK | **480,769** | **473,371** | **6,596** | 489,686 | 487,669 | 5,103 |
| – International | **226,862** | **226,862** | **3,128** | 123,076 | 122,978 | 2,511 |
| Inter-segment revenue | **(40,689)** | **–** | **–** | (35,832) | – | – |
| Total Fresh Produce | **3,060,922** | **3,060,922** | **56,117** | 2,707,809 | 2,707,809 | 50,670 |
| Healthfoods and Consumer Products | **113,906** | **113,906** | **2,588** | 102,762 | 102,762 | 2,989 |
| **Third party revenue and adjusted EBITA** | **3,174,828** | **3,174,828** | **58,705** | 2,810,571 | 2,810,571 | 53,659 |

* 2012 comparative balances have been restated in accordance with IAS 19 *Employee Benefits (2011)* and to reflect the reclassification of fair value movements on contingent consideration as explained on page 62. In addition, segment information has been restated to ensure conformity with current year presentation as explained above.

All inter-segment revenue transactions are at arm's length.

### Reconciliation of Segmental Profits to Operating Profit

Below is a reconciliation of adjusted EBITA per the Group's management reports to operating profit and profit before tax as presented in the Group income statement.

| | Note | 2013 €'000 | Restated 2012 €'000 |
|---|---|---|---|
| **Adjusted EBITA per management reporting** | | **58,705** | 53,659 |
| Acquisition related intangible asset amortisation in subsidiaries | (i) | **(6,369)** | (6,732) |
| Share of joint ventures and associates acquisition related intangible asset amortisation | (i) | **(1,593)** | (1,089) |
| Fair value movement on contingent consideration | (ii) | **(901)** | (465) |
| Acquisition related costs within subsidiaries | (iii) | **(87)** | (227) |
| Acquisition related costs within joint ventures and associates | (iii) | **–** | (189) |
| Share of joint ventures and associates net financial expense | (iv) | **(594)** | (861) |
| Share of joint ventures and associates income tax (before tax on exceptional items) | (iv) | **(2,240)** | (2,258) |
| **Operating profit before exceptional items** | | **46,921** | 41,838 |
| Exceptional items | (v) | **6,492** | 303 |
| **Operating profit per the Group income statement** | | **53,413** | 42,141 |
| Net financial expense | (vi) | **(5,178)** | (5,755) |
| **Profit before tax** | | **48,235** | 36,386 |

(i) Acquisition related intangible asset amortisation charges are not allocated to operating segments in the Group's management reports.
(ii) Fair value movements on contingent consideration are not allocated to operating segments in the Group's management reports.
(iii) Acquisition related costs are transaction costs directly related to acquisitions of subsidiaries completed and are not allocated to operating segments in the Group's management reports.
(iv) Under IFRS, included within profit before tax is the Group's share of joint ventures' and associates' profit after acquisition related intangible asset amortisation charges, tax and interest. In the Group's management reports these items are excluded from the adjusted EBITA calculation.
(v) Exceptional items (Note 6) are not allocated to operating segments in the Group's management reports.
(vi) Financial income and expense is primarily managed at Group level, and is therefore not allocated to operating segments in the Group's management reports.

### Business Segment Assets and Liabilities

| | Segment assets 2013 €'000 | Investment in joint ventures and associates 2013 €'000 | Total assets 2013 €'000 | Total liabilities 2013 €'000 |
|---|---|---|---|---|
| Fresh Produce | | | | |
| – Eurozone | **247,789** | **33,074** | **280,863** | **152,018** |
| – Northern Europe | **216,740** | **4,815** | **221,555** | **113,178** |
| – UK | **110,021** | **1,741** | **111,762** | **56,648** |
| – International | **3** | **15,131** | **15,134** | **62** |
| Total Fresh Produce | **574,553** | **54,761** | **629,314** | **321,906** |
| Healthfoods and Consumer Products Distribution | **49,385** | **–** | **49,385** | **22,601** |
| **Total** | **623,938** | **54,761** | **678,699** | **344,507** |
| Unallocated assets and liabilities** | | | **126,286** | **174,588** |
| **Total assets/liabilities** | | | **804,985** | **519,095** |

# Notes to the Group Financial Statements
for the year ended 31 December 2013 (Continued)

## 1. Segmental Analysis (Continued)

| | Segment assets 2012* €'000 | Investment in joint ventures and associates 2012* €'000 | Total assets 2012* €'000 | Total liabilities 2012* €'000 |
|---|---|---|---|---|
| Fresh Produce | | | | |
| – Eurozone | 244,883 | 32,918 | 277,801 | 139,430 |
| – Northern Europe | 229,648 | 4,879 | 234,527 | 116,959 |
| – UK | 98,674 | 1,861 | 100,535 | 56,639 |
| – International | 4 | 22,428 | 22,432 | 255 |
| Total Fresh Produce | 573,209 | 62,086 | 635,295 | 313,283 |
| Healthfoods and Consumer Products Distribution | 48,975 | – | 48,975 | 17,620 |
| **Total** | 622,184 | 62,086 | 684,270 | 330,903 |
| Unallocated assets and liabilities** | | | 132,638 | 234,041 |
| **Total assets/liabilities** | | | 816,908 | 564,944 |

* Comparative balances have been reclassified in the current year to ensure conformity with current year presentation.

** Unallocated assets consist of investment property, other financial assets, cash and cash equivalents, bank deposits, deferred tax assets, employee benefit assets and corporation tax receivable. Unallocated liabilities consist of interest-bearing loans and borrowings, provisions, corporation tax payable, deferred tax liabilities and employee benefit liabilities.

### Other Segmental Disclosures

| | **Share of joint ventures and associates adjusted EBITA 2013 €'000** | **Acquisition of property, plant and equipment 2013 €'000** | **Depreciation of property, plant and equipment (i) 2013 €'000** | **Amortisation of intangible assets (ii) 2013 €'000** |
|---|---|---|---|---|
| Fresh Produce | | | | |
| – Eurozone | **3,905** | **7,371** | **6,916** | **2,578** |
| – Northern Europe | **994** | **3,806** | **5,605** | **1,908** |
| – UK | **469** | **2,088** | **1,972** | **879** |
| – International | **4,307** | **–** | **239** | **631** |
| Healthfoods and Consumer Products Distribution | **–** | **525** | **428** | **1,966** |
| **Total** | **9,675** | **13,790** | **15,160** | **7,962** |

| | Share of joint ventures and associates adjusted EBITA 2012* €'000 | Acquisition of property, plant and equipment 2012* €'000 | Depreciation of property, plant and equipment (i) 2012* €'000 | Amortisation of intangible asset(i)(ii) 2012* €'000 |
|---|---|---|---|---|
| Fresh Produce | | | | |
| – Eurozone | 4,464 | 4,526 | 6,654 | 2,323 |
| – Northern Europe | 1,052 | 6,467 | 5,448 | 1,886 |
| – UK | 390 | 1,406 | 2,180 | 1,221 |
| – International | 3,063 | – | 1,095 | 346 |
| Healthfoods and Consumer Products Distribution | – | 605 | 418 | 2,045 |
| **Total** | 8,969 | 13,004 | 15,795 | 7,821 |

* Comparative balances have been reclassified in the current year to ensure conformity with the current year's presentation.

(i) Includes joint ventures and associates share of depreciation of property, plant and equipment.

(ii) Includes joint ventures and associates share of acquisition related intangible asset amortisation.

### Irish Revenue and Non-current Assets

The Group headquarters are domiciled in Ireland and revenues generated by the Group's businesses in Ireland are €370,335,000 (2012: €345,233,000). Non-current assets, excluding employee benefit assets and deferred tax assets, of €23,313,000 (2012: €22,825,000) are held by the Group's businesses in Ireland.

No one individual customer accounts for more than 10% of Group revenue.

## 2. Operating Expenses, Net

| | Before exceptional items 2013 €'000 | Exceptional items (Note 6) 2013 €'000 | Total 2013 €'000 | Restated Before exceptional items 2012 €'000 | Restated Exceptional items (Note 6) 2012 €'000 | Restated Total 2012 €'000 |
|---|---|---|---|---|---|---|
| Distribution expenses | **(277,967)** | **–** | **(277,967)** | (260,052) | – | (260,052) |
| Administrative expenses | **(43,849)** | **–** | **(43,849)** | (43,829) | – | (43,829) |
| Other operating expenses | **(3,059)** | **(4,502)** | **(7,561)** | (1,617) | – | (1,617) |
| Other operating income | **3,820** | **11,253** | **15,073** | 3,812 | 303 | 4,115 |
| **Total** | **(321,055)** | **6,751** | **(314,304)** | (301,686) | 303 | (301,383) |

Other operating expenses and income comprise the following (charges)/credits:

### Other Operating Expenses

| | 2013 €'000 | Restated 2012 €'000 |
|---|---|---|
| Foreign exchange losses | **(2,003)** | (847) |
| Loss on disposal of property, plant and equipment | **(68)** | (78) |
| Acquisition related costs in subsidiaries[(a)] | **(87)** | (227) |
| Fair value changes to contingent consideration (Note 24) | **(901)** | (465) |
| | **(3,059)** | (1,617) |
| *Exceptional items in other operating expenses (Note 6)* | | |
| Change in fair value of investment property | **(3,694)** | – |
| Impairment of property, plant and equipment | **(808)** | – |
| | **(4,502)** | – |
| **Total** | **(7,561)** | (1,617) |

(a) Acquisition related costs include transaction costs directly related to the acquisitions of subsidiaries completed. These costs include legal fees and other professional service fees.

### Other Operating Income

| | 2013 €'000 | Restated 2012 €'000 |
|---|---|---|
| Rental income | **1,526** | 1,721 |
| Amortisation of government grants (Note 23) | **348** | 292 |
| Grant income credited directly to income statement | **8** | – |
| Gain on disposal of property, plant and equipment | **366** | 645 |
| Foreign exchange gains | **1,006** | 850 |
| Gain on derivative financial instruments at fair value through the income statement | **566** | 304 |
| | **3,820** | 3,812 |
| *Exceptional items in other operating income (Note 6)* | | |
| Credit arising from modification to Group's defined benefit pension arrangements (Note 28) | **10,317** | – |
| Remeasurement to fair value of pre-existing interest in an associate (Note 13) | **702** | – |
| Gain on disposal of investments in joint ventures and associates | **234** | 303 |
| | **11,253** | 303 |
| **Total** | **15,073** | 4,115 |

# Notes to the Group Financial Statements
for the year ended 31 December 2013 (Continued)

## 3. Share of Profit of Joint Ventures and Associates

The Group's share of the profit after tax of joint ventures and associates is equity accounted and is presented as a single line item in the Group income statement.

| | Joint ventures 2013 €'000 | Associates 2013 €'000 | Total 2013 €'000 | Restated Joint ventures 2012 €'000 | Restated Associates 2012 €'000 | Restated Total 2012 €'000 |
|---|---|---|---|---|---|---|
| *Group's share of:* | | | | | | |
| **Revenue** | **311,841** | **225,293** | **537,134** | 259,529 | 119,216 | 378,745 |
| Operating profit | **4,728** | **3,354** | **8,082** | 4,774 | 3,145 | 7,919 |
| Financial income/(expense) – net | **(964)** | **370** | **(594)** | (823) | (38) | (861) |
| **Profit before tax** | **3,764** | **3,724** | **7,488** | 3,951 | 3,107 | 7,058 |
| Income tax expense | **(1,023)** | **(1,034)** | **(2,057)** | (1,170) | (1,088) | (2,258) |
| **Profit after tax** | **2,741** | **2,690** | **5,431** | 2,781 | 2,019 | 4,800 |
| Non-controlling interests | **(195)** | **(235)** | **(430)** | (228) | – | (228) |
| **Attributable to equity shareholders** | **2,546** | **2,455** | **5,001** | 2,553 | 2,019 | 4,572 |

Profit after tax above includes the following charges/(credits):

| | Joint ventures 2013 €'000 | Associates 2013 €'000 | Total 2013 €'000 | Joint ventures 2012 €'000 | Associates 2012 €'000 | Total 2012 €'000 |
|---|---|---|---|---|---|---|
| *Group's share of:* | | | | | | |
| Exceptional items-fair value losses on investment property | **(442)** | **–** | **(442)** | – | – | – |
| Deferred tax credit on fair value movement on investment property | **183** | **–** | **183** | – | – | – |
| Depreciation of property, plant and equipment | **(1,886)** | **(104)** | **(1,990)** | (1,544) | (881) | (2,425) |
| Amortisation of acquisition related intangible assets | **(962)** | **(631)** | **(1,593)** | (989) | (100) | (1,089) |
| Deferred tax credit on amortisation of acquisition related intangible assets | **217** | **212** | **429** | 176 | – | 176 |
| Acquisition related costs | **–** | **–** | **–** | (189) | – | (189) |

## 4. Financial Income and Financial Expense

| | 2013 €'000 | Restated 2012 €'000 |
|---|---|---|
| *Recognised in the income statement:* | | |
| Dividend income from financial assets | **74** | – |
| Interest income | **2,049** | 1,851 |
| **Financial income** | **2,123** | 1,851 |
| Interest expense on financial liabilities measured at amortised cost | **(5,256)** | (5,888) |
| Cash inflow from interest rate swap | **5** | 5 |
| Interest expense on finance leases | **(387)** | (231) |
| Unwinding of discounts on provisions (Note 24) | **–** | (2) |
| Other interest expense | **(1,663)** | (1,490) |
| **Financial expense** | **(7,301)** | (7,606) |
| **Net financial expense recognised in the income statement** | **(5,178)** | (5,755) |
| *Analysed as follows:* | | |
| Amounts relating to items not at fair value through income statement | **(5,178)** | (5,755) |
| **Net financial expense recognised in the income statement** | **(5,178)** | (5,755) |
| *Recognised in other comprehensive income:* | | |
| Foreign currency translation effects: | | |
| – foreign currency on net investments – subsidiaries | **(6,302)** | 5,282 |
| – foreign currency on net investments – joint ventures and associates | **(2,469)** | 367 |
| – foreign currency borrowings designated as net investment hedges | **3,428** | (2,606) |
| – foreign currency losses reclassified to income statement on disposal of investments in joint ventures and associates | **1,044** | 1,489 |
| Effective portion of changes in fair value of cash flow hedges | **691** | (928) |
| Fair value of cash flow hedges transferred to the income statement | **(856)** | 930 |
| **Net financial (expense)/income recognised in other comprehensive income** | **(4,464)** | 4,534 |

## 5. Group Operating Profit

Group operating profit has been arrived at after charging the following amounts:

| | 2013 €'000 | 2012 €'000 |
|---|---|---|
| Depreciation of property, plant and equipment within subsidiaries: | | |
| – owned assets | **11,826** | 12,173 |
| – held under finance lease | **1,344** | 1,197 |
| Share of joint venture and associates depreciation charges | **1,990** | 2,425 |
| Amortisation of intangible assets within subsidiaries | | |
| – acquisition related intangible assets | **6,369** | 6,732 |
| – research and development | **413** | 395 |
| – computer software | **261** | 25 |
| Share of joint venture and associates intangible asset amortisation | **1,593** | 1,089 |
| Impairment losses: | | |
| – property | **808** | – |
| Operating lease rentals: | | |
| – plant and equipment | **1,560** | 1,796 |
| – other | **10,339** | 9,608 |

# Notes to the Group Financial Statements
for the year ended 31 December 2013 (Continued)

## 5. Group Operating Profit (Continued)

### Auditors' Remuneration

| | 2013 €'000 | 2012 €'000 |
|---|---|---|
| Audit services[1] | **412** | 422 |
| Other assurance services[2] | **79** | 81 |
| Tax advisory services | **44** | 104 |
| Other non-audit services | **33** | 68 |
| | **568** | 675 |

1 Includes €10,000 (2012:€10,000) relating to Group share of joint venture and associate fees.

2 Includes €2,000 (2012:€2,000) relating to Group share of joint venture and associate fees.

Fees paid to other KPMG firms outside of Ireland are as follows:

| | 2013 €'000 | 2012 €'000 |
|---|---|---|
| Audit services[3] | **914** | 1,081 |
| Other assurance services[4] | **115** | 114 |
| Tax advisory services[5] | **199** | 107 |
| Other non-audit services[6] | **53** | 257 |
| | **1,281** | 1,559 |

3 Includes €21,000 (2012:€194,000) relating to Group share of joint venture and associate fees.

4 Includes €2,000 (2012:€2,000) relating to Group share of joint venture and associate fees.

5 Includes €Nil (2012:€3,000) relating to Group share of joint venture and associate fees.

6 Includes €Nil (2012:€8,000) relating to Group share of joint venture and associate fees.

## 6. Exceptional Items

In accordance with the Group accounting policy, the following items have been presented as exceptional items for the year ended 31 December 2013.

| | 2013 €'000 | 2012 €'000 |
|---|---|---|
| Credit from modification to Group's defined benefit pension arrangements[(a)] | **10,317** | – |
| Remeasurement to fair value of pre-existing interest in associate[(b)] | **702** | – |
| Profit on disposal of joint venture and associate investments[(c)] | **234** | 303 |
| Change in fair value of investment property within subsidiaries[(d)] | **(3,694)** | – |
| Impairment of property, plant and equipment[(e)] | **(808)** | – |
| Share of joint ventures fair value movement on investment property[(f)] | **(442)** | – |
| **Total exceptional items (before share of joint ventures and associates tax)** | **6,309** | 303 |
| Share of joint ventures tax on fair value movements on investment property | **183** | – |
| **Exceptional items within operating profit** | **6,492** | 303 |
| Net tax credit on exceptional items[(a) and (d)] | **(324)** | 43 |
| **Total** | **6,168** | 346 |

### (a) Credit Arising from Modification to Group's Defined Benefit Pension Arrangements

Modification to the structure of the Group's defined benefit pension arrangements resulted in a credit of €10,317,000 to the income statement. The deferred tax charge on this exceptional credit amounts to €1,290,000. Refer to Note 28 for further details.

### (b) Remeasurement to Fair Value of a Pre-existing Interest in an Associate

In December 2013, the Group acquired a controlling interest in a company in which it had a previously held an associate interest. In accordance with the provisions of IFRS, the previously held interest was remeasured at this date to fair value resulting in a remeasurement gain of €702,000 which was recognised in the income statement. Refer to Note 13 for further details.

**(c) Gain on Disposal of Associate and Joint Venture Undertakings**

As explained further in Note 13, in April 2013, the Group announced the completion of a transaction to sell its 25% shareholding in Capespan Group Limited ('Capespan South Africa') for a total consideration of €21,677,000. A profit of €234,000 was recognised on disposal of this investment comprising the €1,278,000 difference between the sales proceeds and the associate's carrying value of €20,399,000 offset by the reclassification of €1,044,000 of currency translation losses from equity to the income statement.

In January 2012, the Group sold its 50% shareholding in Capespan International Holdings Limited ('Capespan Europe') to Capespan South Africa for a total consideration of €13,030,000 satisfied by the exchange of an additional 20 million shares in Capespan South Africa (valued at €4,574,000) and €8,456,000 in cash. A profit of €303,000 was recognised on disposal of this investment comprising the €1,792,000 difference between the sales proceeds and the joint venture's carrying value of €11,238,000 offset by the reclassification of €1,489,000 of currency translation losses from other comprehensive income to the income statement.

**(d) Fair Value Movements on Investment Property**

Fair value losses amounting to €3,694,000 (2012: €Nil) were recognised in the income statement in relation to investment property. A deferred tax credit of €966,000 was recognised in the income statement as a result of this fair value movement. Refer to Note 11 for further details.

**(e) Impairment of Property, Plant and Equipment**

On revaluation of the Group's properties, two properties were identified in the UK and Ireland where the carrying value exceeded the fair value, resulting in an impairment charge of €808,000 (2012: €Nil) to the income statement. Refer to Note 10 for further details.

**(f) Share of Joint Ventures and Associates Fair Value Movement on Investment Property**

The Group's share of the fair value movements on investment property within joint ventures of €259,000 (2012: €Nil), net of deferred tax was recognised in the income statement.

## 7. Income Tax Expense

**Recognised in the Income Statement:**

| | 2013 €'000 | Restated 2012 €'000 |
|---|---|---|
| **Current tax expense** | | |
| *Ireland* | | |
| Tax on profit for the year | **204** | 395 |
| Adjustments in respect of prior years | **(445)** | 103 |
| | **(241)** | 498 |
| *Overseas* | | |
| Tax on profit for the year | **12,789** | 9,757 |
| Adjustments in respect of prior years | **(294)** | 21 |
| | **12,495** | 9,778 |
| **Total current tax** | **12,254** | 10,276 |
| **Deferred tax expense** | | |
| Origination and reversal of temporary differences | **(2,118)** | (1,676) |
| Reduction in rates | **(264)** | (401) |
| Adjustments in respect of prior years | **168** | (20) |
| **Total deferred tax** | **(2,214)** | (2,097) |
| **Income tax expense** | **10,040** | 8,179 |

In the UK, the Finance Act 2012, which was substantially enacted on 17 July 2012, amended the main rate of corporation tax to 24% effective from 1 April 2012 and to 23% effective from 1 April 2013. Furthermore, the Finance Act 2013, which was substantively enacted on 17 July 2013, amended the main rate of corporation tax to 21% effective from 1 April 2014 and to 20% effective from 1 April 2015. This will reduce the Group's future current tax charge in respect of its UK operations. Deferred tax balances must be recognised at the future tax rate applicable when the balance is expected to unwind. UK deferred tax balances have been calculated based on the rate of 20% substantively enacted at the reporting date.

In 2012 the Swedish Government effected a reduction in the Swedish rate of corporation tax from 26.3% in 2012 to 22.0% from 1 January 2013. This has reduced the Group's future tax charge accordingly. Swedish deferred tax balances at 31 December 2012 and at 31 December 2013 have been calculated based on the rate of 22%.

There were no other material changes in corporation tax rates in other jurisdictions in 2013 or 2012.

# Notes to the Group Financial Statements
for the year ended 31 December 2013 (Continued)

## 7. Income Tax Expense (Continued)

### Reconciliation of Effective Tax Rate

| | % | 2013 €'000 | % | Restated 2012 €'000 |
|---|---|---|---|---|
| Profit before tax | | **48,235** | | 36,386 |
| Taxation based on Irish corporation tax rate | **12.50** | **6,029** | 12.50 | 4,548 |
| *Effects of:* | | | | |
| Expenses not deductible for tax purposes | **1.90** | **917** | 1.68 | 610 |
| Tax effect of fair value adjustments | **(1.14)** | **(549)** | (0.12) | (43) |
| Tax effect on profits of joint ventures and associates | **(1.30)** | **(626)** | (1.57) | (572) |
| Differences in tax rates | **9.82** | **4,738** | 10.04 | 3,655 |
| Unrecognised deferred tax asset | **0.28** | **136** | 0.22 | 79 |
| Previously unrecognised deferred tax asset | **(0.14)** | **(65)** | (0.61) | (223) |
| Other items | **0.06** | **31** | 0.06 | 22 |
| Adjustments in respect of prior years | **(1.18)** | **(571)** | 0.28 | 103 |
| **Total income tax expense in the income statement** | **20.81** | **10,040** | 22.48 | 8,179 |

### Deferred Tax Recognised Directly in Other Comprehensive Income

| | 2013 €'000 | Restated 2012 €'000 |
|---|---|---|
| Deferred tax on revaluation of property, plant and equipment, net | **(1,132)** | (178) |
| Deferred tax on actuarial gains and losses on defined benefit pension schemes, net | **2,313** | (1,558) |
| Deferred tax on effective portion of cash flow hedges, net | **(41)** | 1 |
| **Total deferred tax credit recognised in other comprehensive income** | **1,140** | (1,735) |

## 8. Dividends Paid and Proposed

| | 2013 €'000 | 2012 €'000 |
|---|---|---|
| *Declared and paid during the year* | | |
| Equity dividends on ordinary shares: | | |
| Final dividend for the year ended 31 December 2012: 1.512 cents (2011: 1.350 cents) | **4,988** | 4,453 |
| Interim dividend for the year ended 31 December 2013: 0.6095 cents (2012: 0.5670 cents) | **2,011** | 1,871 |
| **Total: 2.1215 cents per share (2012: 1.9170 cents)** | **6,999** | 6,324 |
| *Proposed for approval at AGM (not recognised as a liability as at 31 December)* | | |
| Equity dividends on ordinary shares: | | |
| **Final dividend for the year ended 31 December 2013: 1.6632 cents (2012: 1.512 cents)** | **5,487** | 4,988 |

It is proposed that a final dividend of 1.6632 cents per ordinary share be paid to ordinary shareholders. These proposed dividends have not been provided for in the Company or Group balance sheet in accordance with accounting convention. The final dividend is subject to approval by the Group's shareholders at the Annual General Meeting.

## 9. Earnings Per Share

### Basic Earnings Per Share

Basic earnings per share is calculated by dividing the profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year, excluding shares purchased by the Company and held as treasury shares. In November 2010 the Group purchased 22,000,000 of its own shares which are held as treasury shares. In respect of the shares that are held by the Group (treasury shares), all rights (including voting and dividend rights) are suspended until those shares are reissued and therefore they are not included in earnings per share calculations. Details relating to the purchase of the Group's own shares are outlined in Note 18.

| | 2013 €'000 | Restated 2012 €'000 |
|---|---|---|
| Profit for the financial year attributable to equity holders of the parent | **30,936** | 21,127 |
| | **'000** | '000 |
| Shares in issue at beginning of year | **351,887** | 351,887 |
| Effect of treasury shares held | **(22,000)** | (22,000) |
| Weighted average number of shares at end of year | **329,887** | 329,887 |
| **Basic earnings per share – cents** | **9.38** | 6.40 |

### Diluted Earnings Per Share

Diluted earnings per share is calculated by dividing the profit per share attributable to ordinary shareholder by the weighted average number of ordinary shares outstanding after adjustment for the effects of all ordinary shares and options with a dilutive effect.

| | 2013 €'000 | Restated 2012 €'000 |
|---|---|---|
| Profit for the financial year attributable to equity holders of the parent | **30,936** | 21,127 |
| | **'000** | '000 |
| Weighted average number of shares at end of year | **329,887** | 329,887 |
| Effect of share options with a dilutive effect | **460** | – |
| Weighted average number of shares at end of year (diluted) | **330,347** | 329,887 |
| **Diluted earnings per share – cents** | **9.36** | 6.40 |

The average market value of the Company's share for the purpose of calculating the dilutive effect of share options was based on quoted market prices for the year during which the options were outstanding.

# Notes to the Group Financial Statements
for the year ended 31 December 2013 (Continued)

## 9. Earnings Per Share (Continued)

### Adjusted Fully Diluted Earnings Per Share

Management believe that adjusted fully diluted earnings per share as set out below provides a fair reflection of the underlying trading performance of the Group after eliminating the impact of acquisition related intangible asset amortisation charges and costs, exceptional items, property revaluations and the related tax on these items.

Adjusted fully diluted earnings per share is calculated by dividing the adjusted profit per share attributable to ordinary shareholder (as calculated below) by the weighted average number of ordinary shares outstanding after adjustment for the effects of all ordinary shares and options with a dilutive effect.

| | **2013 €'000** | Restated 2012 €'000 |
|---|---|---|
| Profit attributable to equity holders of the parent | **30,936** | 21,127 |
| *Adjustments* | | |
| Amortisation of acquisition related intangible assets within subsidiaries (Note 12) | **6,369** | 6,732 |
| Group share of joint ventures and associates acquisition related intangible assets amortisation (Note 3) | **1,593** | 1,089 |
| Exceptional items – net of tax (Note 6) | **(6,168)** | (346) |
| Acquisition related costs within subsidiaries (Note 2) | **87** | 227 |
| Acquisition related costs within joint ventures and associates (Note 3) | **–** | 189 |
| Tax effect of amortisation charge of intangible assets | **(2,007)** | (2,063) |
| Non-controlling interests impact of exceptional items, acquisition related amortisation charges and costs and related tax | **(1,835)** | (769) |
| **Adjusted earnings attributable to equity shareholders of the parent** | **28,975** | 26,186 |

| | **'000** | '000 |
|---|---|---|
| Weighted average number of shares at end of year (diluted) | **330,347** | 329,887 |
| **Adjusted fully diluted earnings per share – cents** | **8.77** | 7.94 |

## 10. Property, Plant and Equipment

| | Land and buildings €'000 | Plant and equipment €'000 | Motor vehicles €'000 | Total €'000 |
|---|---|---|---|---|
| **Cost or valuation** | | | | |
| Balance at 1 January 2012 | 115,546 | 93,600 | 15,313 | 224,459 |
| Additions | 1,419 | 8,233 | 3,352 | 13,004 |
| Arising from business combinations (Note 27) | – | 105 | 71 | 176 |
| Disposals | (8) | (6,820) | (3,695) | (10,523) |
| Revaluation gains | 464 | – | – | 464 |
| Foreign exchange movement | 1,822 | 1,154 | 297 | 3,273 |
| **Balance at 31 December 2012** | **119,243** | **96,272** | **15,338** | **230,853** |
| Additions | **1,143** | **7,860** | **4,787** | **13,790** |
| Arising from business combinations (Note 27) | **–** | **194** | **113** | **307** |
| Disposals | **(43)** | **(2,365)** | **(3,129)** | **(5,537)** |
| Revaluation gains | **753** | **–** | **–** | **753** |
| Revaluation losses | **(3,724)** | **–** | **–** | **(3,724)** |
| Reclassifications | **307** | **(307)** | **–** | **–** |
| Foreign exchange movement | **(2,880)** | **(1,595)** | **(868)** | **(5,343)** |
| **Balance at 31 December 2013** | **114,799** | **100,059** | **16,241** | **231,099** |
| **Depreciation and impairment losses** | | | | |
| Balance at 1 January 2012 | 17,049 | 62,701 | 9,065 | 88,815 |
| Depreciation charge | 2,915 | 7,702 | 2,753 | 13,370 |
| Disposals | (8) | (6,745) | (3,306) | (10,059) |
| Revaluation gain | (1,307) | – | – | (1,307) |
| Foreign exchange movement | 401 | 664 | 216 | 1,281 |
| **Balance at 31 December 2012** | **19,050** | **64,322** | **8,728** | **92,100** |
| Depreciation charge | **2,976** | **7,423** | **2,771** | **13,170** |
| Disposals | **(19)** | **(2,232)** | **(2,723)** | **(4,974)** |
| Revaluation losses | **(1,341)** | **–** | **–** | **(1,341)** |
| Impairment losses | **808** | **–** | **–** | **808** |
| Reclassifications | **65** | **(65)** | **–** | **–** |
| Foreign exchange movement | **(785)** | **(1,205)** | **(622)** | **(2,612)** |
| **Balance at 31 December 2013** | **20,754** | **68,243** | **8,154** | **97,151** |
| **Carrying amount** | | | | |
| At 31 December 2012 | 100,193 | 31,950 | 6,610 | 138,753 |
| **At 31 December 2013** | **94,045** | **31,816** | **8,087** | **133,948** |

Land and buildings are stated at fair value while plant and equipment and motor vehicles are stated at depreciated historic cost.

There are no items included in the carrying amount of property, plant and equipment at 31 December 2013 that relate to assets under construction (2012: €Nil).

# Notes to the Group Financial Statements
for the year ended 31 December 2013 (Continued)

## 10. Property, Plant and Equipment (Continued)

### Measurement of Fair Value of Land and Buildings

(i) Fair value hierarchy

Fair value is defined as the price that would be received if the asset were sold in an orderly transaction between market participants based on the asset's highest and best use. Valuations are reviewed each year by the Directors in order to ensure that the fair value of a revalued asset is not materially at variance from its carrying amount. Where appropriate, registered independent appraisers having relevant recognised professional qualifications and recent experience in the locations and category of properties being valued prepare the valuations every three to five years, with valuations updated annually in the interim by Directors, having due regard to the advice of professionally qualified consultants, where it is deemed appropriate.

At 31 December 2013, the Group undertook an exercise to revalue its properties. Properties occupied by the Group included in land and buildings comprise industrial and office buildings and related land in a number of locations across Europe, the largest of which are in Sweden, the Czech Republic, Spain, the Netherlands, Denmark and the UK. The Group has limited property assets in Ireland. In excess of 85% of the value of land and buildings was determined by registered independent appraisers within the past four years. The basis for such valuations is described in further detail below. Due to the absence of, or reduced level of transactions for, properties of a similar nature, particularly in Ireland and the UK, the valuation of a number of properties were determined by the Directors with reference to local knowledge, valuation techniques and judgment after consultation with property advisers. Notwithstanding the level of uncertainty in property markets at present, the Directors are satisfied with the basis upon which these valuations have been prepared.

The following is a breakdown of the fair value of land and buildings by operating segment and the various measurement techniques are as follows:

| | Comparable market transactions €'000 | Comparable rental yield €'000 | Discounted cash flows €'000 | Depreciated historic cost[1] €'000 | **2013 €'000** |
|---|---|---|---|---|---|
| Eurozone Fresh Produce | 29,206 | 10,231 | – | 3,116 | **42,553** |
| Northern Europe Fresh Produce | 11,614 | – | 24,451 | – | **36,065** |
| UK Fresh Produce | 7,998 | 7,384 | – | – | **15,382** |
| International Fresh Produce | – | – | – | – | **–** |
| Healthfoods and Consumer Products Distribution | – | – | – | 45 | **45** |
| | 48,818 | 17,615 | 24,451 | 3,161 | **94,045** |

1 Assets valued at depreciated historic cost primarily relate to leasehold improvements.

All fair values above have been designated as Level 3 in the fair value hierarchy.

(ii) Level 3 fair value for land and buildings

The following table shows reconciliation from the opening balance to the closing balance for Level 3 fair values.

| | **2013 €'000** |
|---|---|
| Balance at beginning of year | **100,193** |
| Reclassification from plant and equipment | **242** |
| Additions in year | **1,143** |
| Depreciation charge in year | **(2,976)** |
| Disposals in year | **(24)** |
| Foreign exchange movement | **(2,095)** |
| Income/(expense) included in other comprehensive income | |
| – Fair value gain | **753** |
| – Fair value losses | **(2,383)** |
| Expense included in 'other operating expenses' in the income statement (Note 2) | |
| – Impairment loss | **(808)** |
| **Balance at end of year** | **94,045** |

Fair value gains in 2013 amounting to €753,000 (2012: €1,771,000) and fair value losses in the same period of €2,383,000 (2012: €Nil) were recognised in the statement of other comprehensive income. Net deferred tax charges of €1,132,000 (2012: net credit of €178,000) on revaluation of land and buildings were also recognised in the statement of other comprehensive income for the year as a result of both revaluation movements and changes in tax rates. The non-controlling interests share of net revaluation movements, net of deferred taxes, was a €97,000 gain (2012: €331,000).

The Group identified two properties in Ireland and in the UK for which the estimated fair value had fallen below cost, resulting in an impairment charge of €808,000 (2012: €Nil) within operating expenses (Note 2) in the income statement. Given the materiality these were classified as exceptional items (Note 6). The non-controlling interests share of such impairment losses was €125,000 (2012: €Nil).

The historic cost of land and buildings which were revalued amounted to €71,058,000 (2012: €74,381,000).

## Valuation Technique and Significant Unobservable Inputs

The following table shows the valuation techniques used in measuring the fair value of land and buildings as well as the significant unobservable inputs used.

| Valuation technique | Significant unobservable inputs | Inter-relationship between key unobservable inputs and fair value measurement |
|---|---|---|
| *Comparable market transactions – price per square metre:*<br><br>This method of valuation is used for land and buildings held for own use. The value is based on comparable market transactions. | *Eurozone*<br>• Comparable market prices of €338 to €940 per square metre (weighted average of €613 per square metre)<br><br>*Northern Europe*<br>• Comparable market prices of €220 per square metre (weighted average of €220 per square metre)<br><br>*UK*<br>• Comparable market prices of €127 – €552 per square metre (weighted average of €395 per square metre) | The estimated fair value would increase/(decrease) if:<br><br>• Comparable market prices were higher/(lower) |
| *Comparable market transactions – rental yield model:*<br><br>This method is used for land and buildings held for own use. The valuation model takes into account annual rent per square metre and a capitalisation yield. | *Eurozone*<br>• Annual rent of €54 – €73 per square metre (weighted average of €66 per square metre)<br>• Capitalisation yield of 8.50% – 9.50% (weighted average of 9.20%)<br><br>*UK*<br>• Annual rent of €77 – €78 per square metre (weighted average of €78 per square metre)<br>• Capitalisation yield of 8.00% – 8.60% (weighted average of 8.23%) | The estimated fair value would increase/(decrease) if:<br><br>• Expected annual rent were higher/(lower)<br>• Capitalisation yield were (higher)/lower |
| *Discounted cash flows:*<br><br>This valuation model considers the present value of net cash flows to be generated from the property taking into account current rents, expected market rents and lease incentive costs. The expected net cash flows are discounted using a risk-adjusted market discount rate. | *Northern Europe*<br>• Net annual rent of €35 – €70 per square metre (weighted average of €66 per square metre)<br>• Growth in annual rent of 1.50% – 2.00% (weighed average of 1.90%)<br>• Capitalisation yields of 7.75% – 8.00% (weighted average of 7.80%)<br>• Risk adjusted discount rates of 8.50% – 9.90% (weighted average 9.70%) | The estimated fair value would increase/(decrease) if:<br><br>• Expected market rental growth were higher/(lower)<br>• Capitalisation yields were lower/(higher)<br>• Risk-adjusted discount rates were lower/(higher) |

# Notes to the Group Financial Statements
for the year ended 31 December 2013 (Continued)

## 10. Property, Plant and Equipment (Continued)
### Leased Property, Plant and Equipment
The Group leases property, plant and equipment under a number of finance lease agreements. At 31 December 2013, the carrying amount of leased assets included in property, plant and equipment was €4,706,000 (2012: €5,679,000).

| | Land and buildings €'000 | Plant and equipment €'000 | Motor vehicles €'000 | Total €'000 |
|---|---|---|---|---|
| At 31 December 2012 | – | 4,544 | 1,135 | 5,679 |
| **At 31 December 2013** | **–** | **3,301** | **1,405** | **4,706** |

At 31 December 2013, property, plant and equipment with a carrying value of €3,292,000 (2012: €3,014,000) is subject to a registered debenture in respect of bank loans.

## 11. Investment Property

| | **2013 €'000** | 2012 €'000 |
|---|---|---|
| Balance at beginning of year | **11,067** | 10,881 |
| Expenses included in 'other operating expenses' (Note 2) | | |
| – Changes in fair value – unrealised | **(3,694)** | – |
| Foreign exchange movement | **(223)** | 186 |
| **Balance at end of year** | **7,150** | 11,067 |

Investment property, comprising land and buildings, is held for capital appreciation and/or rental income and is not occupied by the Group. This also includes parts of properties owned by the Group which are sublet to third parties. The Group's investment properties are located in the UK, Ireland, Denmark and the Netherlands.

### Measurement of Fair Value
(i) Fair value hierarchy
The carrying amount of investment property within the Group's subsidiaries is the fair value of the property as determined by the Directors. In preparing the property valuations, the Directors consulted with registered independent appraisers having an appropriate recognised professional qualification and with recent experience in the location and category being valued. In general, valuations have been undertaken having regard to comparable market transactions between informed market participants at the 'highest and best use'. All of the investment property at 31 December 2013 was valued in accordance with consultation with external experts.

The property valuations have been prepared in a period of considerable market uncertainty due to the continuing difficulties being experienced in the world's financial markets. This has resulted in a reduced number of properties in the market being sold and little market activity in some locations. Notwithstanding the level of uncertainty in property markets at present, the Directors are satisfied with the basis upon which these valuations have been prepared.

The fair value measurement for investment property of €7,150,000 and has been categorised as a Level 3 fair value based on the input to the valuation technique used (see Note 33).

(ii) Level 3 fair value
The table above reflects a reconciliation from the opening balance to the closing balance for Level 3 fair values.

In 2013, fair value losses of €3,694,000 (2012: €Nil) were recognised in the income statement relating to investment properties held within the Group's subsidiaries, along with deferred tax credits of €966,000 (2012: Nil). These amounts were reflected in the 2013 income statement within other operating expenses (Note 2) and were classified as exceptional items in accordance with the Group accounting policy (Note 6).

## Valuation Technique and Significant Unobservable Inputs

The following table shows the valuation techniques used in measuring the fair value of investment property, as well as the significant unobservable inputs used. The comparable market transaction method is used for land held for sale or capital appreciation. The discounted cashflow approach is used for buildings that are sublet to third parties.

## Analysis of Carrying Value by Valuation Technique

| | 2013 €'000 |
|---|---|
| Comparable market transactions | **6,050** |
| Discounted cashflow | **1,100** |
| | **7,150** |

| Valuation technique | Significant unobservable inputs | Inter-relationship between key unobservable inputs and fair value measurement |
|---|---|---|
| *Comparable market transactions:*<br>This method of valuation is used for land held for sale or capital appreciation. The value is based on comparable market transactions after discussion with independent registered property appraisers. | *Eurozone*<br>• Comparable market prices of €588,000 per hectare (weighted average €588,000 per hectare)<br><br>*UK*<br>• Comparable market prices of €1,582,000 per hectare (weighted average €1,582,000 per hectare)<br><br>*Scandinavia*<br>• Comparable market prices of €503,000 per hectare (weighted average €503,000 per hectare) | The estimated fair value would increase/(decrease) if:<br><br>• Comparable market prices were higher/(lower) |
| *Discounted cash flows:*<br>This valuation model considers the present value of net cash flows to be generated from the property taking into account current rents, expected market rents and lease incentive costs. The expected net cash flows are discounted using a risk adjusted market discount rate. | *Eurozone*<br>• Rental income of €45 – €100 per square metre per annum (weighted average of €76 per square metre)<br><br>• Rental growth of 1.8% per annum (weighted average 1.8% per annum)<br><br>• Risk adjusted discount rates of 7.6% to 8.0%. (weighted average 7.8%) | The estimated fair value would increase/(decrease) if:<br><br>• Expected market rental growth were higher/(lower)<br><br>• Risk-adjusted discount rates were lower/(higher) |

# Notes to the Group Financial Statements
for the year ended 31 December 2013 (Continued)

## 12. Goodwill and Intangible Assets

| | Customer relationships €'000 | Other intangible assets €'000 | Research and development €'000 | Computer software €'000 | Goodwill €'000 | Total €'000 |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| Balance at 1 January 2012 | 53,090 | 11,849 | 3,201 | – | 127,534 | 195,674 |
| Arising from business combinations (Note 27) | 1,820 | 350 | – | – | 28 | 2,198 |
| Revisions of contingent consideration (Note 24) | – | – | – | – | 327 | 327 |
| Additions | – | – | – | 649 | – | 649 |
| Capitalisation of development expenditure | – | – | 146 | – | – | 146 |
| Foreign exchange movement | 1,426 | 255 | 95 | – | 2,892 | 4,668 |
| **Balance at 31 December 2012** | **56,336** | **12,454** | **3,442** | **649** | **130,781** | **203,662** |
| Arising from business combinations (Note 27) | **3,898** | **3,418** | **–** | **–** | **3,878** | **11,194** |
| Revisions of contingent consideration (Note 24) | **–** | **–** | **–** | **–** | **3,714** | **3,714** |
| Additions | **–** | **–** | **–** | **1,265** | **–** | **1,265** |
| Capitalisation of development expenditure | **–** | **–** | **165** | **–** | **–** | **165** |
| Foreign exchange movement | **(1,166)** | **(141)** | **(83)** | **(9)** | **(3,498)** | **(4,897)** |
| **Balance at 31 December 2013** | **59,068** | **15,731** | **3,524** | **1,905** | **134,875** | **215,103** |
| **Accumulated amortisation and impairments** | | | | | | |
| Balance at 1 January 2012 | 37,082 | 3,338 | 1,617 | – | 1,144 | 43,181 |
| Amortisation of acquisition related intangible assets | 4,980 | 1,752 | – | – | – | 6,732 |
| Development and software amortisation | – | – | 395 | 25 | – | 420 |
| Foreign exchange movement | 1,131 | 49 | 47 | – | 4 | 1,231 |
| **Balance at 31 December 2012** | **43,193** | **5,139** | **2,059** | **25** | **1,148** | **51,564** |
| Amortisation of acquisition related intangible assets | **4,670** | **1,699** | **–** | **–** | **–** | **6,369** |
| Development and software amortisation | **–** | **–** | **413** | **261** | **–** | **674** |
| Foreign exchange movement | **(1,055)** | **(49)** | **(42)** | **2** | **(3)** | **(1,147)** |
| **Balance at 31 December 2013** | **46,808** | **6,789** | **2,430** | **288** | **1,145** | **57,460** |
| **Carrying amount** | | | | | | |
| Balance at 31 December 2012 | 13,143 | 7,315 | 1,383 | 624 | 129,633 | 152,098 |
| **Balance at 31 December 2013** | **12,260** | **8,942** | **1,094** | **1,617** | **133,730** | **157,643** |

Other intangible assets include brands of €2,251,000 (2012: €2,652,000) and supplier relationships of €6,691,000 (2012: €4,663,000).

Intangible assets are amortised to the income statement over their estimated useful lives as follows:

- customer relationships: 3 to 15 years;
- brands: 10 to 15 years;
- supplier relationships: 3 to 15 years;
- capitalised development costs: 5 to 7 years
- software: 3 to 5 years.

Goodwill and intangible assets arising in connection with acquisitions are set out in Note 27.

Revisions to estimates of contingent consideration and therefore goodwill in respect of acquisitions completed prior to 1 January 2010 are set out in Note 24.

Amortisation charges and impairment losses are allocated to distribution expenses in the income statement.

### Impairment Testing on Goodwill

The Group tests goodwill annually for impairment on 31 October, or more frequently if there are indications that goodwill might be impaired. For the purposes of impairment testing, goodwill is allocated to divisions which represent the lowest level within the Group at which goodwill is monitored, which is not higher than the operating segments identified before aggregations. A reportable operating segment-level summary of the goodwill is presented below.

| | **2013 €'000** | Restated 2012 €'000 |
|---|---|---|
| Eurozone | **29,400** | 25,510 |
| Northern Europe | **75,148** | 78,108 |
| UK | **19,638** | 16,305 |
| International | **4** | 4 |
| Healthfoods and Consumer Products Distribution | **9,540** | 9,706 |
| | **133,730** | 129,633 |

The recoverable amount of each cash-generating unit (CGU) has been determined based on a value-in-use calculation using cash flows derived from the approved 2014 budget with cash flows thereafter calculated using a terminal value methodology assuming 2% per annum inflation. No other growth is assumed. The pre-tax discount rates applied to cash flow projections of the CGUs range from 12.5% to 13.0% (2012: 8.9% to 11.6%).

Projected cash flows are most sensitive to assumptions regarding future profitability, replacement capital expenditure requirements, and working capital investment. The values applied to these key assumptions are derived from a combination of external and internal factors, based on past experience together with management's future expectations about business performance.

Discount rates reflect the current market assessment of the risk specific to each CGU. The discount rates were estimated by adjusting the Group's weighted average cost of capital to reflect the market assessment of risks specific to each CGU for which the cash flow projections have not been adjusted.

The Group's earnings are significantly dependent on the selling prices and margins obtained for products sold. These, in turn, are largely determined by market supply and demand. Fresh produce supplies in individual markets are affected by the geography of production, growing conditions (including climate), seasonality and perishability. Market demand is a function of population size, per capita consumption, the availability and quality of individual products, competing products, climatic and other general conditions in the marketplace. Excess produce leading to reduced selling prices (particularly for products purchased under contract) could have a material adverse effect on the Group's business, results of operations and financial condition.

### Sensitivity Analysis

The value-in-use calculations are sensitive to changes in assumptions, particularly relating to assumptions on cash flows generated by the individual CGUs and discount rates applied to these cash flows. Sensitivity analysis was performed based on changes to each of these factors.

A 10% reduction in the cash flow projections would not have given rise to an impairment loss. Similarly if the pre-tax discount rates applied to the cash flows had been 10% higher, no impairment loss would have arisen.

## 13. Investments In Joint Ventures and Associates

The movement in the Group's interests in its joint ventures and associates during the year was as follows:

| | Joint ventures €'000 | Associates €'000 | Total €'000 |
|---|---|---|---|
| **Balance at 1 January 2012** | 23,277 | 16,935 | 40,212 |
| Share of profit after tax (Note 3) | 2,553 | 2,019 | 4,572 |
| Share of other comprehensive income, net | – | (215) | (215) |
| Investment in associates (a) | – | 4,574 | 4,574 |
| Investment in joint ventures – cash (b) | 9,392 | – | 9,392 |
| Investment in joint ventures – contingent consideration (b) (Note 24) | 5,805 | – | 5,805 |
| Loans advanced to joint ventures (b) | 256 | – | 256 |
| Dividends received | (2,116) | (793) | (2,909) |
| Financial asset becoming an associate (d) (Note 14) | – | 32 | 32 |
| Foreign exchange movement | 112 | 255 | 367 |
| **Balance at 31 December 2012** | **39,279** | **22,807** | **62,086** |
| Share of profit after tax (Note 3) | **2,546** | **2,455** | **5,001** |
| Share of other comprehensive income, net | **–** | **(45)** | **(45)** |
| Investment in associates – cash (a) | **–** | **11,928** | **11,928** |
| Investment in associates– contingent consideration (a) (Note 24) | **–** | **2,610** | **2,610** |
| Investment in joint ventures – cash (b) | **220** | **–** | **220** |
| Loans advanced during the year (b) | **210** | **–** | **210** |
| Disposal of associate (c) | **–** | **(20,399)** | **(20,399)** |
| Dividends received | **(2,327)** | **(1,729)** | **(4,056)** |
| Fair value uplift on step acquisition of associate (e) | **–** | **702** | **702** |
| Associate becoming a subsidiary (e) | **–** | **(953)** | **(953)** |
| Foreign exchange movement | **(357)** | **(2,112)** | **(2,469)** |
| Revision to goodwill (f) | **(74)** | **–** | **(74)** |
| **Balance at 31 December 2013** | **39,497** | **15,264** | **54,761** |

Details of the Group's principal joint ventures and associates are set out in Note 36.

### (a) Investments in Associates*

Investments in 2013

On 7 January 2013 the Group announced the completion of an agreement to acquire a 65% majority shareholding in the Oppenheimer Group in two stages over five years. The acquisition of an initial 35% of the Oppenheimer shares was completed on this date for an initial cash payment, including costs, of €11,928,000 with estimated additional contingent consideration payable on these shares if certain profit targets are met. The fair value of the contingent consideration recognised at the date of acquisition of €2,610,000 was calculated by using the expected present value technique.

A further 30% shareholding will be purchased in 2017 for a price to be determined based on future profits. At date of acquisition and at year-end, the estimated fair value of this option was considered immaterial. The total consideration payable for the 65% shareholding is estimated not to exceed CAD$40,000,000 (€30,000,000) at completion.

Investments in 2012

In January 2012, as part of the consideration received for its 50% shareholding in Capespan Europe, the Group received an additional 20 million shares in Capespan South Africa (valued at €4,574,000). The transaction resulted in the Group increasing its effective interest in Capespan South Africa to 25.3%. The Group disposed of this shareholding in April 2013. See Note (c) below.

### (b) Investment in Joint Ventures*

Investments in 2013

In 2013, the Group invested €430,000 in a number of new and existing joint venture interests in its Fresh Produce Division.

Investments in 2012

In 2012, the Group invested €15,453,000 in a number of new and existing joint venture interests in its Fresh Produce Division including €5,805,000 contingent consideration payable (discounted to net present value) on achievement of future profit targets.

The main acquisition in 2012 was the completion of the acquisition of a 50% shareholding in Frankort & Koning Beheer Venlo B.V. and subsidiaries ('Frankort & Koning') on 13 March 2012. An initial consideration of €6,000,000 was paid on completion with additional consideration of up to €9,000,000 payable in several tranches over the next number of years if certain profit targets are made. The fair value of the contingent consideration recognised at the date of acquisition of €5,581,000 was arrived at by discounting the expected payment to present value.

* For the aforementioned acquisitions, the purchase method of accounting has been applied. The initial assignment of fair values to net assets has been performed on a provisional basis in respect of these acquisitions given the timing of the completion of these transactions and will be finalised within twelve months from the acquisition date as permitted by IFRS 3 *Business Combinations.*

**(c) Disposal of an Associate**

In April 2013, the Group announced the completion of a transaction to sell its 25.3% shareholding in Capespan South Africa for a total consideration of €21,677,000. A profit of €234,000 was recognised on disposal of this investment comprising the €1,278,000 difference between the sales proceeds and the associate's carrying value of €20,399,000 offset by the reclassification of €1,044,000 of currency translation losses from equity to the income statement. This was disclosed as an exceptional gain (Refer to Note 6).

**(d) Financial Asset Becoming an Associate**

During 2012, as a result of obtaining significant influence, the Group's investment in a Fresh Produce company was reclassified from other financial assets to investment in associates in accordance with IAS 28 *Investment in Associates*.

**(e) Remeasurement of Associate Investment to Fair Value**

As explained in Note 27, the Group increased its investment in Provenance Partners Limited from a 9% interest to a controlling interest of 50% on 13 December 2013. Under the provisions of IFRS 3 *Business Combinations* the previously held 9% interest was remeasured to fair value which was determined to be €953,000. The equity accounted carrying value of the original 9% investment was €251,000 and the fair value adjustment of €702,000 was recognised in the Group income statement in 2013 within other operating income (Note 2) and was disclosed as an exceptional gain (Note 6) in accordance with the Group accounting policy.

**(f) Revision to Goodwill**

A revision of €74,000 to contingent consideration due on a joint venture acquired prior to 1 January 2010 has been applied against goodwill. Refer to Note 24.

**(g) Cessation of Joint Venture Activities**

During 2013, the Group disposed of a shareholding in a joint venture in India which had ceased activity in 2012. The investment was carried in the consolidated accounts of the Group at a zero carrying value, hence no gain or loss arose on disposal.

The following additional disclosures are set out in respect of the Group's share of joint ventures and associates:

| | **Joint ventures 2013 €'000** | **Associates 2013 €'000** | **Total 2013 €'000** | Restated Joint ventures 2012 €'000 | Restated Associates 2012 €'000 | Restated Total 2012 €'000 |
|---|---|---|---|---|---|---|
| Non-current assets | **23,486** | **9,340** | **32,826** | 24,674 | 18,118 | 42,792 |
| Cash and cash equivalents | **10,907** | **1,004** | **11,911** | 8,983 | 11,106 | 20,089 |
| Other current assets | **45,737** | **21,053** | **66,790** | 46,132 | 18,990 | 65,122 |
| Non-current liabilities | **(2,928)** | **(2,995)** | **(5,923)** | (4,109) | (522) | (4,631) |
| Employee benefit liabilities | **–** | **(1,585)** | **(1,585)** | – | (2,188) | (2,188) |
| Current liabilities | **(30,606)** | **(15,615)** | **(46,221)** | (31,862) | (12,020) | (43,882) |
| Interest-bearing loans and borrowings | **(17,166)** | **(7,111)** | **(24,277)** | (15,538) | (11,678) | (27,216) |
| Non-controlling interests | **(41)** | **(316)** | **(357)** | – | – | – |
| **Share of net assets** | **29,389** | **3,775** | **33,164** | 28,280 | 21,806 | 50,086 |
| Goodwill | **10,108** | **11,489** | **21,597** | 10,999 | 1,001 | 12,000 |
| **Balance at 31 December** | **39,497** | **15,264** | **54,761** | 39,279 | 22,807 | 62,086 |

The carrying values of investments in joint ventures and associates are assessed for impairment when an event or transaction indicates that impairment may have occurred. No impairment has arisen in 2012 or 2013.

# Notes to the Group Financial Statements
for the year ended 31 December 2013 (Continued)

## 14. Other Financial Assets

| | 2013 €'000 | 2012 €'000 |
|---|---|---|
| Balance at beginning of year | **636** | 647 |
| Investments in the year | **28** | 2 |
| Financial asset becoming an associate[a] (Note 13) | **–** | (32) |
| Foreign exchange movement | **(15)** | 19 |
| **Balance at end of year** | **649** | 636 |
| Available-for-sale financial assets measured at cost less provision for impairment[b] | **649** | 636 |
| **Balance at end of year** | **649** | 636 |

The investments included above predominantly represent investments in unlisted equity securities. While these investments are classified as available-for-sale financial assets in accordance with IFRS, it is not currently the intention of management to sell these assets.

(a) During 2012, as a result of obtaining significant influence, the Group's investment in a Fresh Produce company was reclassified from other financial assets to investment in associates in accordance with IAS 28 *Investment in Associates*.

(b) Certain of the Group's available-for-sale financial assets are comprised of investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured. Such investments are measured at cost, less provision for impairment where required. The carrying value of such investments amounts to €649,000 (2012: €636,000).

## 15. Inventories

| | 2013 €'000 | 2012 €'000 |
|---|---|---|
| Goods for resale | **44,922** | 41,692 |
| Consumables | **3,220** | 3,873 |
| **Total of lower of cost or net realisable value** | **48,142** | 45,565 |

## 16. Trade and Other Receivables

| | 2013 €'000 | 2012 €'000 |
|---|---|---|
| **Non-current** | | |
| Non-trade receivables due from joint ventures and associates | **2,736** | 2,517 |
| Other receivables | **2,354** | 3,988 |
| | **5,090** | 6,505 |
| **Current** | | |
| Trade receivables due from third parties | **243,451** | 243,027 |
| Trade receivables due from joint ventures and associates | **6,514** | 5,554 |
| Other receivables | **21,241** | 21,577 |
| Prepayments | **7,305** | 7,140 |
| Non-trade receivables due from joint ventures and associates | **584** | 1,965 |
| | **279,095** | 279,263 |
| **Total** | **284,185** | 285,768 |

Details of impairment provisions netted against the carrying value of trade and other receivables above are set out in Note 31.

See Note 31 for an analysis of credit risk on trade and other receivables to understand how the Group manages and measures credit quality of trade and other receivables.

## 17. Bank Deposits and Cash and Cash Equivalents

### Bank Deposits

The original maturity of these deposits falls outside the three month timeframe for classification as cash and cash equivalents under IAS 7 *Statements of Cash Flows*, and accordingly, the related balances have been separately reported in the consolidated balance sheet and have been categorised as 'held-for-trading' in accordance with IAS 39 *Financial Instruments: Recognition and Measurement*.

| | **2013 €'000** | 2012 €'000 |
|---|---|---|
| **Bank deposits** | **4,740** | 3,799 |

### Cash and Cash Equivalents

Cash and cash equivalents comprise cash balances held for the purposes of meeting short-term cash commitments and call deposits which are readily convertible to a known amount of cash within a short time frame of between one day and three months on acquisition.

| | **2013 €'000** | 2012 €'000 |
|---|---|---|
| Bank balances | **77,799** | 88,656 |
| Call deposits (demand balances) | **25,664** | 17,036 |
| **Cash and cash equivalents per balance sheet** | **103,463** | 105,692 |
| Bank overdrafts (Note 20) | **(2,285)** | (5,372) |
| Less cash held in escrow[(a)] | **–** | (11,360) |
| **Cash, cash equivalents and bank overdrafts per cash flow statement** | **101,178** | 88,960 |

(a) On 13 December 2012, the Group drew down a Canadian Dollar loan of CAD $14,912,000 (€11,580,000) the proceeds of which were placed in escrow and were payable contingent on completion of the acquisition of the initial 35% of the share capital of the Oppenheimer Group. At 31 December 2012, the translated Euro value of the CAD $14,912,000 was €11,360,000. The transaction completed on 7 January 2013 and the proceeds of CAD $14,912,000 were remitted to the vendor on this date.

In accordance with IAS 7 *Statements of Cash Flows* this fell outside the classification of cash and cash equivalents and accordingly was omitted from cash and cash equivalents in the Group cash flow statement for the year ended 31 December 2012.

## 18. Capital and Reserves

### Share Capital and Share Premium

| | **Ordinary shares 2013 '000** | **Ordinary shares 2013 €'000** | Ordinary shares 2012 '000 | Ordinary shares 2012 €'000 |
|---|---|---|---|---|
| *Allotted, called-up and fully paid* | | | | |
| **In issue at beginning and end of year** | **351,887** | **3,519** | 351,887 | 3,519 |

At 31 December 2013, the authorised share capital was €10,000,000 (2012: €10,000,000) divided into 1,000,000,000 ordinary shares of 1 cent each. The issued share capital at that date was 351,886,732 ordinary shares (2012: 351,886,732).

At 31 December 2013, the Company held 22,000,000 treasury shares in the Company (31 December 2012: 22,000,000). In respect of the Company's shares that are held by the Company (treasury shares), all rights (including voting and dividend rights) are suspended until these shares are reissued.

Share premium amounts to €252,574,000 at both the beginning and the end of each year.

# Notes to the Group Financial Statements
for the year ended 31 December 2013 (Continued)

## 18. Capital and Reserves (Continued)

### Attributable Profit of the Company

The loss attributable to equity holders of the parent recorded within the financial statements of the Company for the year ended 31 December 2013 was €3,546,000 (2012: a profit of €9,746,000). As permitted by Section 148(8) of the Companies Act, 1963, the statement of comprehensive income of the Company has not been separately presented in these financial statements.

### Other Reserves

| | 2013 €'000 | 2012 €'000 |
|---|---|---|
| Currency translation reserve[(a)] | **(5,273)** | (1,483) |
| Revaluation reserve[(b)] | **20,319** | 20,914 |
| De-merger reserve[(c)] | **(122,521)** | (122,521) |
| Own shares reserve[(d)] | **(8,580)** | (8,580) |
| Other equity reserves[(e)] | **1,959** | 1,627 |
| **Total** | **(114,096)** | (110,043) |

(a) Currency translation reserve

The translation reserve comprises all foreign exchange differences from 1 January 2004, arising from the translation of the net assets of the Group's non-Euro denominated operations, including the translation of the profits and losses of such operations from the average exchange rate for the year to the exchange rate at the reporting date, as well as from the translation of borrowings designated as a hedge of those net assets.

(b) Revaluation reserve

The revaluation reserve relates to revaluation surpluses arising on revaluations of property occupied by the Group. This reserve is not distributable to shareholders under Irish company law.

(c) De-merger reserve

The operations of the Company were de-merged from Fyffes plc on 30 December 2006 and acquired on that date by the Company. The operations had always constituted a separate business segment within Fyffes plc and, consequently, in the Group financial statements of Total Produce plc after the de-merger, the financial position was presented to shareholders on the basis of the carrying value of the assets previously reported to them. In accordance with Section 62 of the Companies Act 1963, the ordinary shares issued by the Company were recorded at their fair value on the date of issue. The difference between the fair value of the consideration received by the Company and the carrying values at which the net assets were previously reported has been recognised in the Group financial statements as a de-merger reserve.

(d) Own shares reserve

The reserve for the Company's own shares comprises the cost of the Company's shares held by the Company. On 23 November 2010, having regard to the share price at that time and the positive effect of purchasing shares on the Group, the Board believed that it would be in the best interests of the Company to exercise its buy-back authority. The Company acquired 22,000,000 (6.25%) of its own shares in the market at an aggregate cost of €8,580,000 plus costs of €107,000. At 31 December 2013, the Company held 22,000,000 (31 December 2012: 22,000,000) of the Company's shares as treasury shares.

### (e) Other equity reserves

Other equity reserves comprise the share option reserve and cash flow hedge reserve.

| | Share option reserve[i] €'000 | Cash flow hedge reserve[ii] €'000 | Other equity reserves Total €'000 |
|---|---|---|---|
| **Balance at 1 January 2012** | 1,190 | (37) | 1,153 |
| **Comprehensive income** | | | |
| Profit for the year | – | – | – |
| **Other comprehensive income:** | | | |
| *Items that may be reclassified subsequently to profit or loss:* | | | |
| Effective portion of cash flow hedges, net | – | 2 | 2 |
| Deferred tax on items taken directly to other comprehensive income | – | (1) | (1) |
| Total included in other comprehensive income | – | 1 | 1 |
| **Total included in comprehensive income** | – | 1 | 1 |
| **Transactions with equity holders of the parent** | | | |
| Share-based payment transactions | 473 | – | 473 |
| **Total transactions with equity holders of the parent** | 473 | – | 473 |
| **At 31 December 2012** | **1,663** | **(36)** | **1,627** |
| **Comprehensive income** | | | |
| Profit for the year | **–** | **–** | **–** |
| **Other comprehensive income:** | | | |
| *Items that may be reclassified subsequently to profit or loss:* | | | |
| Effective portion of cash flow hedges, net | **–** | **(94)** | **(94)** |
| Deferred tax on items taken directly to other comprehensive income | **–** | **23** | **23** |
| Total included in other comprehensive income | **–** | **(71)** | **(71)** |
| **Total included in comprehensive income** | **–** | **(71)** | **(71)** |
| **Transactions with equity holders of the parent** | | | |
| Share-based payment transactions | **403** | **–** | **403** |
| **Total transactions with equity holders of the parent** | **403** | **–** | **403** |
| **At 31 December 2013** | **2,066** | **(107)** | **1,959** |

#### (i) Share option reserve

The share option reserve comprises the amounts expensed in the income statement in connection with unvested share-based payment transactions.

#### (ii) Cash flow hedge reserve

The cash flow hedge reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

### Capital management

The Board regularly reviews and monitors the Group's capital structure with a view to maintaining a strong capital base in order to sustain market confidence in the business. This involves considering dividends paid to shareholders, the amount of liquid assets on the balance sheet and return on capital (based on shareholders' equity, the composition of which is set out on page 58). The Group operates a share option scheme and an employee profit sharing scheme which allows employees to use part of their profit sharing awards to acquire shares in the Company. The Group has the authority to purchase its own shares. This authority permits the Group to buy up to 10 per cent of the issued share capital at a price which may not exceed 105 per cent of the average price over the previous five trading days. In November 2010, the Group exercised this authority and completed a share buy-back of 22,000,000 shares at a cost of €8,580,000 plus costs of €107,000. This represented 6.25% of the shares in issue and the shares are held as treasury shares unless reissued or cancelled. This share buy-back is earnings accretive. The Group continues to consider exercising its authority should the opportunity arise and the Group will seek to renew this authority at the forthcoming AGM in May 2014.

# Notes to the Group Financial Statements
for the year ended 31 December 2013 (Continued)

## 19. Non-Controlling Interests

| | 2013 €'000 | Restated 2012 €'000 |
|---|---|---|
| **Balance at beginning of year** | **64,162** | 60,041 |
| Share of profit after tax | **7,259** | 7,080 |
| Share of foreign exchange movement | **(509)** | 207 |
| Share of other items recognised in other comprehensive income | **171** | 180 |
| **Share of comprehensive income** | **6,921** | 7,467 |
| Non-controlling interests arising on acquisition (Note 27) | **3,428** | 481 |
| Acquisition of non-controlling interests[a] | **(423)** | – |
| Contribution by non-controlling interests | **15** | 59 |
| Dividends paid to non-controlling interests | **(5,579)** | (3,886) |
| **Balance at end of year** | **68,524** | 64,162 |

**(a) Acquisition of Non-controlling Interests**
In 2013, the Group acquired additional shares in subsidiaries for cash consideration of €422,000. These changes in the Group's ownership interest in existing subsidiaries were accounted for as equity transactions. The difference of €1,000 between the fair value of the consideration of €422,000 and the book value of the non-controlling interest acquired of €423,000 was accounted for directly in retained earnings in 2013.

In 2012, the Group acquired additional shares in subsidiaries for cash consideration of €68,000. Changes in the Group's ownership interest in existing subsidiaries are accounted for as equity transactions. The consideration paid was €68,000 and as this equalled the fair value of the assets acquired and therefore there was no adjustment required to retained earnings in 2012.

## 20. Interest Bearing Loans and Borrowings

| | 2013 €'000 | 2012 €'000 |
|---|---|---|
| **Non-current** | | |
| Borrowings | **110,772** | 150,757 |
| Finance lease liabilities | **3,539** | 4,040 |
| | **114,311** | 154,797 |
| **Current** | | |
| Overdrafts | **2,285** | 5,372 |
| Borrowings | **1,268** | 1,239 |
| Finance lease liabilities | **1,326** | 1,110 |
| | **4,879** | 7,721 |
| **Total** | **119,190** | 162,518 |

*Borrowings are repayable as follows:*

| | 2013 €'000 | 2012 €'000 |
|---|---|---|
| **Bank borrowings and overdrafts** | | |
| Within one year | **3,553** | 6,611 |
| After one year but within two years | **35,355** | 662 |
| After two years but within five years | **54,982** | 126,351 |
| After five years | **20,435** | 23,744 |
| | **114,325** | 157,368 |
| **Finance lease liabilities** | | |
| Within one year | **1,326** | 1,110 |
| After one but within five years | **3,539** | 4,040 |
| | **4,865** | 5,150 |
| **Total** | **119,190** | 162,518 |

Further details in relation to the Group's borrowings are set out in Note 31.

Total future minimum lease payments on finance leases amount to €5,581,000 (2012: €6,162,000). Total interest-bearing loans and borrowings include borrowings of €845,000 (2012: €912,000) secured on property, plant and equipment.

## 21. Analysis of Net Debt

Net debt is a non-IFRS measure which comprises bank deposits, cash and cash equivalents and current and non-current borrowings. The calculation of net debt at 31 December 2013 and 31 December 2012 is as follows:

| | 2013 €'000 | 2012 €'000 |
|---|---|---|
| **Current assets** | | |
| Bank deposits | **4,740** | 3,799 |
| Bank balances[(a)] | **77,799** | 88,656 |
| Call deposits (demand balances) | **25,664** | 17,036 |
| **Current liabilities** | | |
| Bank overdrafts | **(2,285)** | (5,372) |
| Current bank borrowings | **(1,268)** | (1,239) |
| Current finance leases | **(1,326)** | (1,110) |
| **Non-current liabilities** | | |
| Non-current bank borrowing | **(110,772)** | (150,757) |
| Non-current finance leases | **(3,539)** | (4,040) |
| **Net debt at end of year** | **(10,987)** | (53,027) |

(a) Included within bank balances at 31 December 2012 was €11,360,000 held in escrow that was paid on completion of acquisition of the initial 35% of the share capital of the Oppenheimer Group. This acquisition completed on 7 January 2013 and the cash balance of €11,360,000 was remitted to the vendor on this date. In accordance with IAS 7 *Statements of Cash Flows* this fell outside the classification of cash and cash equivalents and accordingly was omitted from cash and cash equivalents in the Group cash flow statement.

## 22. Trade and Other Payables

| | 2013 €'000 | 2012 €'000 |
|---|---|---|
| **Non-current** | | |
| Other payables | **1,775** | 1,881 |
| | **1,775** | 1,881 |
| **Current** | | |
| Trade payables | **262,094** | 256,448 |
| Trade payables due to joint ventures and associates | **2,031** | 4,355 |
| Accruals | **42,158** | 37,020 |
| Deferred consideration (Note 27) | **806** | – |
| Other payables | **21,066** | 17,301 |
| Irish payroll tax and social welfare | **2,226** | 2,482 |
| Irish value added tax | **1,850** | 260 |
| Other tax | **8,175** | 8,939 |
| | **340,406** | 326,805 |
| **Total** | **342,181** | 328,686 |

For information on the Group's contractual maturity analysis of all liabilities, including trade and other payables, please refer to Note 31.

## 23. Deferred Government Grants

| | 2013 €'000 | 2012 €'000 |
|---|---|---|
| Balance at beginning of year | **1,876** | 1,569 |
| Amortised to income statement (Note 2) | **(348)** | (292) |
| Grants received | **153** | 599 |
| **Balance at end of the year** | **1,681** | 1,876 |

Government grants have primarily been received for the purchase of certain items of property, plant and equipment.

# Notes to the Group Financial Statements
for the year ended 31 December 2013 (Continued)

## 24. Provisions

| | Contingent consideration 2013 €'000 | Other provisions 2013 €'000 | Total 2013 €'000 |
|---|---|---|---|
| **Balance at 1 January 2013** | **17,121** | **–** | **17,121** |
| Fair value remeasurements changed to income statement (Note 2) | **901** | **–** | **901** |
| Paid during year | **(2,296)** | **–** | **(2,296)** |
| Fair value remeasurements resulting in an adjustment to goodwill – joint ventures (Note 13) | **(74)** | **–** | **(74)** |
| Fair value remeasurements resulting in an adjustment to goodwill – subsidiaries (Note 12) | **3,714** | **–** | **3,714** |
| Arising on acquisitions of subsidiaries (Note 27) | **2,437** | **–** | **2,437** |
| Arising on acquisitions of associates (Note 13) | **2,610** | **–** | **2,610** |
| Foreign exchange movements | **(443)** | **–** | **(443)** |
| **Balance at 31 December 2013** | **23,970** | **–** | **23,970** |
| Non-current | **17,535** | **–** | **17,535** |
| Current | **6,435** | **–** | **6,435** |
| **Balance at 31 December 2013** | **23,970** | **–** | **23,970** |

| | Restated Contingent consideration 2012 €'000 | Other provisions 2012 €'000 | Restated Total 2012 €'000 |
|---|---|---|---|
| Balance at 1 January 2012 | 11,931 | 512 | 12,443 |
| Discounting charge (Note 4) | – | 2 | 2 |
| Fair value remeasurements changed to income statement (Note 2) | 465 | – | 465 |
| Utilised during year | – | (523) | (523) |
| Paid during year | (1,855) | – | (1,855) |
| Fair value remeasurements resulting in an adjustment to goodwill – subsidiaries (Note 12) | 327 | – | 327 |
| Arising on acquisitions of subsidiaries (Note 27) | 251 | – | 251 |
| Arising on acquisitions of joint ventures (Note 13) | 5,805 | – | 5,805 |
| Foreign exchange movements | 197 | 9 | 206 |
| **Balance at 31 December 2012** | 17,121 | – | 17,121 |
| Non-current | 15,336 | – | 15,336 |
| Current | 1,785 | – | 1,785 |
| **Balance at 31 December 2012** | 17,121 | – | 17,121 |

### Contingent Consideration

Total contingent consideration amounts to €23,970,000 (2012: €17,121,000) and represents provision for the net present value of the amounts expected to be payable in respect of acquisitions which are subject to earn-out arrangements.

Total payments of contingent consideration during the year amounted to €2,296,000 (2012: €1,855,000).

Contingent consideration arising on acquisitions of subsidiaries, joint ventures and associates and non-controlling interests during the year amounted to €5,047,000 (2012: €6,056,000).

The impact of fair value remeasurements in respect of previous acquisitions of subsidiaries, joint ventures and associates completed prior to 1 January 2010 amounted to an increase in the estimate of €3,640,000 (2012: €327,000). Under IFRS 3 *Business Combinations* the impact of these revisions are adjusted against goodwill.

The impact of fair value remeasurements of contingent consideration in respect of previous acquisitions of subsidiaries, joint ventures and associates made post 1 January 2010 amounts to an increase in the amount payable of €901,000 (2012: €465,0000). Under IFRS 3 *Business Combinations* the impact of these revisions is recognised as an expense and disclosed as other operating expense in the income statement (Note 2).

See Note 31 for contractual cashflows and fair value disclosures on the measurement of contingent consideration at 31 December 2013.

### Other Provisions

This other provision related to the estimated costs associated with the relocation of one of the Group's operations. This provision was fully utilised at December 2012.

## 25. Operating Leases

### Leases as Lessee

Non-cancellable operating lease rentals are payable as set out below. These amounts represent the minimum future lease payments, in aggregate, that the Group is required to make under existing lease agreements.

| | 2013 €'000 | 2012 €'000 |
|---|---|---|
| Less than one year | **9,559** | 8,752 |
| Between one and five years | **10,057** | 17,086 |
| More than five years | **5,894** | 6,245 |
| **Total** | **25,510** | 32,083 |

The Group leases certain property, plant and equipment under operating leases. The leases typically run for an initial lease period with the potential to renew the lease at market rates after the initial period. During the financial year €11,899,000 (2012: €11,404,000) was recognised as an expense in the income statement in respect of operating leases.

### Leases as Lessor

The Group leases property under both cancellable and non-cancellable operating leases. Non-cancellable operating lease rental receivables are set out below. These amounts represent the minimum future lease receipts, in aggregate, that the Group will receive under existing lease agreements.

| | 2013 €'000 | 2012 €'000 |
|---|---|---|
| Less than one year | **852** | 836 |
| Between one and five years | **206** | 812 |
| More than five years | **–** | – |
| **Total** | **1,058** | 1,648 |

In 2013 €1,526,000 (2012: €1,721,000) was recognised as rental income in the income statement.

## 26. Deferred Tax Assets and Liabilities

Recognised deferred tax assets and liabilities are attributable as follows:

| | Assets 2013 €'000 | Liabilities 2013 €'000 | Net 2013 €'000 | Assets 2012 €'000 | Liabilities 2012 €'000 | Net 2012 €'000 |
|---|---|---|---|---|---|---|
| Property, plant and equipment | **1,230** | **(8,251)** | **(7,021)** | 561 | (9,245) | (8,684) |
| Intangible assets | **–** | **(4,189)** | **(4,189)** | – | (4,498) | (4,498) |
| Investment property | **–** | **(343)** | **(343)** | – | (1,313) | (1,313) |
| Derivative financial instruments | **155** | **–** | **155** | 89 | – | 89 |
| Employee benefits | **1,371** | **(656)** | **715** | 4,578 | – | 4,578 |
| Trade and other payables | **1,945** | **(224)** | **1,721** | 1,795 | (271) | 1,524 |
| Other items | **139** | **(249)** | **(110)** | 205 | (967) | (762) |
| Tax value of losses carried forward | **2,252** | **–** | **2,252** | 2,439 | – | 2,439 |
| **Deferred tax assets/(liabilities)** | **7,092** | **(13,912)** | **(6,820)** | 9,667 | (16,294) | (6,627) |
| Set-off of deferred tax | **(291)** | **291** | **–** | (194) | 194 | – |
| **Net deferred tax assets/(liabilities)** | **6,801** | **(13,621)** | **(6,820)** | 9,473 | (16,100) | (6,627) |

Deferred tax assets have not been recognised in respect of the following:

| | 2013 €'000 | 2012 €'000 |
|---|---|---|
| Tax losses | **5,775** | 5,405 |

No deferred tax asset is recognised in relation to certain income tax losses incurred by the Group on the grounds that there is insufficient evidence that the assets will be recoverable. In the event that sufficient profits are generated in the relevant jurisdictions in the future, these assets may be recovered. The estimated unrecognised deferred tax asset is €816,000 (2012: €410,000).

# Notes to the Group Financial Statements
for the year ended 31 December 2013 (Continued)

## 26. Deferred Tax Assets and Liabilities (Continued)

No deferred tax asset is recognised in relation to certain capital losses incurred by the Group on the grounds that there is insufficient evidence that the assets will be recoverable. The estimated unrecognised deferred tax asset is €4,959,000 (2012: €4,995,000).

No deferred tax is recognised on the unremitted earnings of overseas subsidiaries, branches, associates and joint ventures where the Group does not anticipate additional tax on any ultimate remittance.

| | Balance at 1 January 2013 €'000 | Recognised in income statement 2013 €'000 | Recognised in other comprehensive income 2013 €'000 | Foreign exchange adjustment 2013 €'000 | Arising on acquisition 2013 €'000 | Reclassification 2013 €'000 | Balance at 31 December 2013 €'000 |
|---|---|---|---|---|---|---|---|
| Property, plant and equipment | **(8,684)** | **1,146** | **1,132** | **119** | **–** | **(734)** | **(7,021)** |
| Intangible assets | **(4,498)** | **1,575** | **–** | **50** | **(1,316)** | **–** | **(4,189)** |
| Investment property | **(1,313)** | **966** | **–** | **4** | **–** | **–** | **(343)** |
| Derivative financial instruments | **89** | **20** | **41** | **5** | **–** | **–** | **155** |
| Employee benefits | **4,578** | **(1,454)** | **(2,313)** | **(96)** | **–** | **–** | **715** |
| Trade and other payables | **1,524** | **224** | **–** | **(27)** | **–** | **–** | **1,721** |
| Other items | **(762)** | **(76)** | **–** | **(6)** | **–** | **734** | **(110)** |
| Tax value of losses carried forward | **2,439** | **(187)** | **–** | **–** | **–** | **–** | **2,252** |
| **Deferred tax assets/(liabilities)** | **(6,627)** | **2,214** | **(1,140)** | **49** | **(1,316)** | **–** | **(6,820)** |

| | Balance at 1 January 2012 €'000 | Restated Recognised in income statement 2012 €'000 | Restated Recognised in other comprehensive income 2012 €'000 | Foreign exchange adjustment 2012 €'000 | Arising on acquisition 2012 €'000 | Reclassification 2012 €'000 | Balance at 31 December 2012 €'000 |
|---|---|---|---|---|---|---|---|
| Property, plant and equipment | (8,479) | (295) | 178 | (88) | – | – | (8,684) |
| Intangible assets | (6,192) | 1,887 | – | (122) | (71) | – | (4,498) |
| Investment property | (1,326) | 43 | – | (30) | – | – | (1,313) |
| Derivative financial instruments | 74 | 16 | (1) | – | – | – | 89 |
| Employee benefits | 3,246 | (280) | 1,558 | 54 | – | – | 4,578 |
| Trade and other payables | 1,620 | 169 | – | 6 | – | (271) | 1,524 |
| Other items | (188) | (834) | – | (11) | – | 271 | (762) |
| Tax value of losses carried forward | 1,048 | 1,391 | – | – | – | – | 2,439 |
| **Deferred tax assets/(liabilities)** | (10,197) | 2,097 | 1,735 | (191) | (71) | – | (6,627) |

## 27. Acquisitions of Subsidiaries

### Summary of Investments in 2013

During the year, the Group invested €7,806,000 including deferred consideration and estimated contingent consideration which is payable dependent on the achievement of future profit targets.

In December 2013, the Group increased its investment in Provenance Partners Limited ('Provenance') from 9% to 50%. Provenance primarily sources exotic vegetables from Africa and this acquisition expands the Group's product offering to major retailers and food service and wholesale customers in the UK. Prior to this acquisition, the Group treated its 9% shareholding as an investment in associate as under the provisions of IAS 28 *Investment in Associates*, Total Produce was deemed to have significant influence.

In addition, the Group made a number of bolt-on acquisitions in the Fresh Produce Division across Europe and a small bolt-on acquisition in the Healthfoods and Consumer Products Division. These acquisitions will complement existing business interests in these divisions.

The cash spend in 2013 on acquisitions amounted to €4,581,000 with a further €788,000 due in deferred consideration in early 2014, and estimated contingent consideration of €2,437,000 payable on transactions dependent on the achievement of future profit targets.

As the investment in Provenance occurred in mid-December 2013, the acquisition did not contribute materially to results in 2013. The remaining investments were bolt-on acquisitions that were amalgamated into existing business interests in the Group and it is not practical to quantify the post-acquisition contribution of these acquisitions to Group revenue and profits.

**Summary of Investments in 2012**

During 2012, the Group invested €2,790,000 including estimated contingent consideration which is payable dependent on the achievement of future profit targets.

In July 2012, the Group acquired a 70% interest in a fresh produce company within the Eurozone Fresh Produce Division and also during 2012 made a number of bolt-on acquisitions in both the Fresh Produce Division and the Healthfoods and Consumer Products Division. These acquisitions complement existing business interests in these divisions.

**Analysis of Consideration Paid and Identifiable Assets Acquired and Liabilities Assumed**

In respect of acquisitions during the year, information on the cost of combination, amounts recognised at acquisition date for assets, liabilities and contingent liabilities and goodwill arising are disclosed in aggregate as the combinations are considered individually immaterial.

| | **2013 Total €'000** | 2012 Total €'000 |
|---|---|---|
| **Consideration paid and payable** | | |
| Cash consideration | **4,581** | 2,539 |
| Deferred consideration | **788** | – |
| Contingent consideration arising on current year acquisitions (Note 24) | **2,437** | 251 |
| **Total fair value of consideration** | **7,806** | 2,790 |
| **Identifiable assets acquired and liabilities assumed** | | |
| Property, plant and equipment (Note 10) | **307** | 176 |
| Intangible assets: | | |
| – customer relationships (Note 12) | **3,898** | 1,820 |
| – supplier relationships (Note 12) | **3,408** | 300 |
| – brands (Note 12) | **10** | 50 |
| Inventories | **303** | 428 |
| Trade and other receivables | **6,754** | 12,066 |
| Cash, cash equivalents and bank overdrafts | **2,109** | (768) |
| Corporation tax | **(233)** | (221) |
| Trade and other payables | **(6,931)** | (10,537) |
| Deferred tax liabilities (Note 26) | **(1,316)** | (71) |
| Non-controlling interests acquired (Note 19) | **(3,428)** | (481) |
| **Fair value of net identifiable assets and liabilities acquired** | **(4,881)** | 2,762 |
| **Goodwill calculation** | | |
| Total fair value of consideration | **7,806** | 2,790 |
| Fair value of pre-existing interest in acquiree (Note 13) | **953** | – |
| Fair value of net identifiable assets and liabilities acquired | **(4,881)** | (2,762) |
| **Goodwill arising (Note 12)** | **3,878** | 28 |

**Cash flows relating to acquisition of subsidiaries:**

| | **2013 €'000** | 2012 €'000 |
|---|---|---|
| Cash consideration for acquisition of subsidiary undertakings | **(4,581)** | (2,539) |
| Cash, cash equivalents and bank overdrafts acquired | **2,109** | (768) |
| **Cash outflow per statement of cash flows** | **(2,472)** | (3,307) |

Cash consideration paid

The cash spend on acquisitions in 2013 was €4,581,000 (2012: €2,539,000). Net of cash, cash equivalents and bank overdrafts acquired the net cash outflow was €2,472,000 (€3,307,000).

Deferred consideration

At the date of acquisition, the Group agreed to pay a vendor €788,000 in January 2014 in respect of a completed acquisition. The translated value of this at 31 December 2013 was €806,000 (Note 22).

# Notes to the Group Financial Statements
for the year ended 31 December 2013 (Continued)

## 27. Acquisitions of Subsidiaries (Continued)

### Contingent consideration
The Group has agreed to pay selling shareholders additional consideration of €2,700,000 (2012: €260,000) in the periods up to 2017 which is payable on achievement of certain profit criteria. The fair value of this contingent consideration at the date of acquisition of €2,437,000 (2012: €251,000) was calculated by using the expected present value technique.

### Fair value of identifiable assets and liabilities assumed
The acquisition method of accounting has been used to consolidate businesses acquired. Other than liabilities for contingent consideration, no contingent liabilities have been recognised on the business combinations in either year. Given the proximity of some of the transactions to year-end, the accounting treatment for some of the acquisitions is provisional. Should any fair values need to be adjusted they will be reflected in the acquisition accounting within one year of the acquisition date in line with the provisions of IFRS 3 *Business Combinations*.

### Fair value of pre-existing interest in acquiree
As described earlier, the Group increased its investment in Provenance from 9% to 50% on 13 December 2013. The fair value of the existing investment in the acquiree of €953,000 is included in the goodwill calculation on acquisition of the additional 41% shareholding. Refer to Note 13 for further details.

### Goodwill arising
The principal factor contributing to the recognition of goodwill of €3,878,000 (2012: €28,000) is the realisation of cost savings and synergies expected to be achieved from integrating the acquired entities into the Group's existing businesses, and the value and skills of the assembled workforce in the acquired entities.

### Acquisition Related Costs
The Group incurred acquisition related costs of €87,000 (2012: €227,000) on legal fees and due diligence in respect of the completed acquisitions. These costs have been included within other operating expenses (Note 2).

## 28. Employee Benefits

### Remuneration

| | 2013 €'000 | Restated 2012 €'000 |
|---|---|---|
| Wages and salaries | **146,354** | 138,318 |
| Social security contribution | **22,849** | 21,111 |
| Pension costs – defined contribution schemes | **3,561** | 3,162 |
| Pension costs – defined benefit schemes | **4,053** | 3,544 |
| Past service credit – due to modification to accruing benefits (Note 6) | **(10,317)** | – |
| Termination benefits | **1,259** | 2,284 |
| Equity settled share-based compensation expense | **403** | 473 |
| Short term incentive payment plan | **1,232** | 958 |
| **Recognised in the income statement** | **169,394** | 169,850 |
| Remeasurement (gains)/losses on defined benefit schemes recognised in other comprehensive income | **(12,164)** | 11,543 |
| **Recognised in the statement of other comprehensive income** | **(12,164)** | 11,543 |

### Employee numbers – Group

| | 2013 Number | 2012 Number |
|---|---|---|
| Production | **412** | 420 |
| Sales and distribution | **2,916** | 2,816 |
| Administration | **605** | 575 |
| | **3,933** | 3,811 |

A further 1,104 (2012: 1,928) personnel are employed in the Group's joint ventures and associates.

### Defined Post-Employment Benefit Pension Disclosures

The Group operates a number of defined benefit and defined contribution pension schemes. The schemes are set up under trusts and the assets of the schemes are therefore held separately from those of the Group.

The pension credit in the income statement for the year in respect of the Group's defined benefit schemes, inclusive of a gain of €10,317,000 on modification to accruing benefits, was €6,264,000 (2012: a charge of €3,544,000), and a charge of €3,561,000 (2012: €3,162,000) in respect of the Group's defined contribution schemes.

The Group operates five funded defined benefit pension schemes. Two of these schemes are based in Ireland, two are based in the United Kingdom and one is based in the Netherlands. The pension benefits payable on retirement in the UK and Ireland are determined based on years of service and the levels of salary. The scheme in the Netherlands provides pension benefits based on career average salary.

The accompanying disclosures relate to all of the Group's defined benefit retirement schemes in Ireland, the UK and the Netherlands. The previous full actuarial valuations of these schemes, for the purposes of these disclosures, were updated to 31 December 2013. Full actuarial valuations were carried out on both of the Irish schemes at 1 January 2013 and on the two UK schemes at 31 December 2009 and 5 April 2012. The last full actuarial valuation of the scheme in the Netherlands was at 31 December 2010.

All calculations were carried out by independent actuaries using the projected unit method. The actuarial reports are not available for public inspection; however, the results of the valuations are advised to members of the schemes. The scheme assets do not include any shareholdings in the Company.

### Credit on Modification to Group's Defined Benefit Pension Arrangements

The Group and the Trustees of one of the Irish pension schemes agreed to implement a number of changes to the benefit structure of the scheme. Salaries for defined benefit purposes were capped or frozen with effect from 1 December 2013 with any salary increases above the cap pensionable on a defined contribution basis. Members continue to accrue service on a defined benefit basis. Increases to pension in payment of 1% per annum were guaranteed from the scheme for five years. Thereafter, the Company will fund for discretionary pension increases of 50% of CPI (subject to a maximum increase in any year of 2%). The scheme was also closed to new members. These changes in the benefit structure resulted in a reduction of the Group's net obligations. Arising from these changes a credit of €10,317,000 has been recognised within other operating income (Note 2) in the Group's income statement for the year ended 31 December 2013, and disclosed as an exceptional item (Note 6).

### Assumptions

The financial assumptions that have the most significant impact on the results of the actuarial valuations are those relating to the long term rate of return on investments, the rate of increase in salaries and pensions and the discount rate used to convert future pension liabilities to current values. The assumptions used are set out below.

#### Scheme liabilities

The principal long-term financial assumptions used by the Group's actuaries in the computation of the defined benefit liabilities arising on the pension schemes at 31 December 2013 and 31 December 2012 are as follows:

| | Ireland | | UK | | Europe | |
|---|---|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 | **2013** | 2012 |
| Rate of increase in salaries | **0.00%-2.00%** | 2.00% | **2.00%** | 3.00% | **2.00%** | 2.00% |
| Rate of increase in pensions | **0.93%-1.85%** | 1.85% | **2.30%-3.30%** | 3.00% | **0.00%** | 0.00% |
| Inflation rate | **1.85%** | 1.85% | **3.30%** | 3.00% | **1.85%** | 1.85% |
| Discount rate | **3.90%** | 4.15% | **4.60%** | 4.30% | **3.90%** | 4.15% |

# Notes to the Group Financial Statements
for the year ended 31 December 2013 (Continued)

## 28. Employee Benefits (Continued)

### Future Life Expectancy Assumptions

The Group uses certain mortality rate assumptions when determining the net present value of scheme liabilities under IAS 19. These assumptions conform to best practice and based on these assumptions the assumed life expectancies were as follows:

Life expectancy of current pensioner aged 65:

| | Ireland | | UK | | Europe | |
|---|---|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 | **2013** | 2012 |
| Male | **22.7** | 23.3 | **20.9** | 20.9 | **22.1** | 21.9 |
| Female | **24.0** | 24.8 | **24.3** | 24.3 | **24.8** | 24.8 |

Life expectancy of 45 year old active employee at expected retirement age of 65:

| | Ireland | | UK | | Europe | |
|---|---|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 | **2013** | 2012 |
| Male | **25.1** | 25.9 | **22.7** | 22.8 | **23.7** | 23.7 |
| Female | **26.1** | 26.9 | **26.2** | 26.3 | **25.7** | 25.7 |

### Changes to IAS 19 from 1 January 2013

The IASB issued a revision to IAS 19 *Employee Benefits* which is effective for accounting periods beginning on or after 1 January 2013. See page 62 within accounting policies for a summary of changes.

### Analysis of Net Liability

| | **Ireland 2013 €'000** | **UK 2013 €'000** | **Europe 2013 €'000** | **Total 2013 €'000** |
|---|---|---|---|---|
| Equities | **43,814** | **34,903** | **–** | **78,717** |
| Bonds | **23,694** | **23,319** | **–** | **47,013** |
| Property | **5,860** | **1,599** | **–** | **7,459** |
| Other | **6,178** | **29** | **5,708** | **11,915** |
| Fair value of scheme assets | **79,546** | **59,850** | **5,708** | **145,104** |
| Present value of scheme obligations | **(83,336)** | **(59,365)** | **(7,061)** | **(149,762)** |
| Net employee benefits (liabilities)/assets | **(3,790)** | **485** | **(1,353)** | **(4,658)** |
| *Analysed as follows* | | | | |
| Employee benefit assets | **–** | **3,282** | **–** | **3,282** |
| Employee benefit liability | **(3,790)** | **(2,797)** | **(1,353)** | **(7,940)** |
| Net employee benefits (liabilities)/assets | **(3,790)** | **485** | **(1,353)** | **(4,658)** |

| | Ireland 2012 €'000 | UK 2012 €'000 | Europe 2012 €'000 | Total 2012 €'000 |
|---|---|---|---|---|
| Equities | 49,215 | 28,728 | – | 77,943 |
| Bonds | 17,642 | 25,400 | – | 43,042 |
| Property | 3,417 | 1,507 | – | 4,924 |
| Other | 1,528 | – | 4,985 | 6,513 |
| Fair value of scheme assets | 71,802 | 55,635 | 4,985 | 132,422 |
| Present value of scheme obligations | (90,436) | (64,307) | (6,003) | (160,746) |
| Net employee benefits liabilities | (18,634) | (8,672) | (1,018) | (28,324) |
| *Analysed as follows* | | | | |
| Employee benefit assets | – | – | – | – |
| Employee benefit liability | (18,634) | (8,672) | (1,018) | (28,324) |
| Net employee benefits liabilities | (18,634) | (8,672) | (1,018) | (28,324) |

### Movements in the Fair Value of Scheme Assets in the Balance Sheet

| | Restated Ireland €'000 | Restated UK €'000 | Restated Europe €'000 | Restated Total €'000 |
|---|---|---|---|---|
| Fair value of assets at 1 January 2012 | 61,848 | 49,015 | 3,711 | 114,574 |
| Interest income on scheme assets | 3,315 | 2,435 | 201 | 5,951 |
| Remeasurement gain on scheme assets | 5,408 | 2,519 | 591 | 8,518 |
| Administration expenses paid from scheme | – | – | (18) | (18) |
| Employer contributions | 2,856 | 1,661 | 517 | 5,034 |
| Employee contributions | 311 | 408 | 70 | 789 |
| Benefit payments | (1,936) | (1,856) | (87) | (3,879) |
| Foreign exchange movements | – | 1,453 | – | 1,453 |
| Fair value of assets at 31 December 2012 | **71,802** | **55,635** | **4,985** | **132,422** |
| Interest income on scheme assets | **2,985** | **2,297** | **218** | **5,500** |
| Remeasurement gain/(loss) on scheme assets | **4,952** | **2,349** | **(26)** | **7,275** |
| Administration expenses paid from scheme | **–** | **–** | **(28)** | **(28)** |
| Employer contributions | **2,753** | **1,495** | **571** | **4,819** |
| Employee contributions | **319** | **363** | **78** | **760** |
| Benefit payments | **(3,265)** | **(1,018)** | **(90)** | **(4,373)** |
| Foreign exchange movements | **–** | **(1,271)** | **–** | **(1,271)** |
| **Fair value of assets at 31 December 2013** | **79,546** | **59,850** | **5,708** | **145,104** |

### Movements in the Present Value of Scheme Obligations in the Balance Sheet

| | Restated Ireland €'000 | Restated UK €'000 | Restated Europe €'000 | Restated Total €'000 |
|---|---|---|---|---|
| Present value of obligations at 1 January 2012 | (71,998) | (56,237) | (4,397) | (132,632) |
| Current service cost | (1,349) | (965) | (312) | (2,626) |
| Past service cost | – | (84) | – | (84) |
| Interest expenses on scheme obligations | (3,789) | (2,747) | (231) | (6,767) |
| Employee contributions | (311) | (408) | (70) | (789) |
| Benefit payments | 1,936 | 1,856 | 87 | 3,879 |
| Remeasurements | | | | |
| – effect of changes in demographic assumptions | – | (994) | 211 | (783) |
| – effect of changes in financial assumptions | (14,625) | (5,884) | (1,318) | (21,827) |
| – effect of experience adjustments | (300) | 2,822 | 27 | 2,549 |
| Foreign exchange movements | – | (1,666) | – | (1,666) |
| Present value of obligations at 31 December 2012 | **(90,436)** | **(64,307)** | **(6,003)** | **(160,746)** |
| Current service cost | **(1,642)** | **(1,045)** | **(396)** | **(3,083)** |
| Past service credit | **–** | **–** | **121** | **121** |
| Interest expense on scheme obligations | **(3,711)** | **(2,613)** | **(247)** | **(6,571)** |
| Employee contributions | **(319)** | **(363)** | **(78)** | **(760)** |
| Benefit payments | **3,265** | **1,018** | **90** | **4,373** |
| Past service credit – gain on modification to accruing benefits | **10,317** | **–** | **–** | **10,317** |
| Remeasurements | | | | |
| – effect of changes in demographic assumptions | **1,632** | **–** | **8** | **1,640** |
| – effect of changes in financial assumptions | **(3,615)** | **6,255** | **(392)** | **2,248** |
| – effect of experience adjustments | **1,173** | **–** | **(164)** | **1,009** |
| Foreign exchange movements | **–** | **1,690** | **–** | **1,690** |
| **Present value of obligations at 31 December 2013** | **(83,336)** | **(59,365)** | **(7,061)** | **(149,762)** |

# Notes to the Group Financial Statements
for the year ended 31 December 2013 (Continued)

## 28. Employee Benefits (Continued)

### Movements in the Net (Liability)/Asset Recognised in the Balance Sheet

| | Restated Ireland €'000 | Restated UK €'000 | Restated Europe €'000 | Restated Total €'000 |
|---|---|---|---|---|
| Net liabilities in schemes at 1 January 2012 | (10,150) | (7,222) | (686) | (18,058) |
| Employer contributions | 2,856 | 1,661 | 517 | 5,034 |
| Expense recognised in the income statement | (1,823) | (1,361) | (360) | (3,544) |
| Remeasurement losses recognised in other comprehensive income | (9,517) | (1,537) | (489) | (11,543) |
| Foreign exchange movement | – | (213) | – | (213) |
| Net liabilities in schemes at 31 December 2012 | **(18,634)** | **(8,672)** | **(1,018)** | **(28,324)** |
| Employer contributions | **2,753** | **1,495** | **571** | **4,819** |
| Income/(expense) recognised in the income statement | **7,949** | **(1,361)** | **(324)** | **6,264** |
| Remeasurement gains/losses recognised in other comprehensive income | **4,142** | **8,604** | **(582)** | **12,164** |
| Foreign exchange movement | **–** | **419** | **–** | **419** |
| **Net (liabilities)/assets in schemes at 31 December 2013** | **(3,790)** | **485** | **(1,353)** | **(4,658)** |

### Defined Benefit Pension (Expense)/Credit Recognised in the Income Statement

| | Ireland 2013 €'000 | UK 2013 €'000 | Europe 2013 €'000 | Total 2013 €'000 |
|---|---|---|---|---|
| Current service cost | **(1,642)** | **(1,045)** | **(396)** | **(3,083)** |
| Past service credit | **–** | **–** | **121** | **121** |
| Interest on scheme obligations | **(3,711)** | **(2,613)** | **(247)** | **(6,571)** |
| Interest on scheme assets | **2,985** | **2,297** | **218** | **5,500** |
| Administration expenses paid from plan | **–** | **–** | **(20)** | **(20)** |
| Recognised within distribution and administration expenses | **(2,368)** | **(1,361)** | **(324)** | **(4,053)** |
| Past service credit – due to modification of accruing benefits | **10,317** | **–** | **–** | **10,317** |
| **Defined benefit pension income/(expense) recognised in the income statement** | **7,949** | **(1,361)** | **(324)** | **6,264** |

| | Restated Ireland 2012 €'000 | Restated UK 2012 €'000 | Restated Europe 2012 €'000 | Restated Total 2012 €'000 |
|---|---|---|---|---|
| Current service cost | (1,349) | (965) | (312) | (2,626) |
| Past service cost | – | (84) | – | (84) |
| Interest on scheme obligations | (3,789) | (2,747) | (231) | (6,767) |
| Interest on scheme assets | 3,315 | 2,435 | 201 | 5,951 |
| Administration expenses paid from plan | – | – | (18) | (18) |
| Recognised within distribution and administration expenses | (1,823) | (1,361) | (360) | (3,544) |
| Past service credit – due to modification of accruing benefits | – | – | – | – |
| **Defined benefit pension expense recognised in the income statement** | (1,823) | (1,361) | (360) | (3,544) |

### Defined Benefit Pension Income/(Expense) Recognised in Other Comprehensive Income

| | Restated Ireland 2013 €'000 | Restated UK 2013 €'000 | Restated Europe 2013 €'000 | Restated Total 2013 €'000 |
|---|---|---|---|---|
| Remeasurement gain/(loss) on scheme assets | **4,952** | **2,349** | **(26)** | **7,275** |
| Plan administration expenses higher than expected | **–** | **–** | **(8)** | **(8)** |
| Remeasurement gain/(loss) on scheme liabilities | | | | |
| – effect of changes in demographic assumptions | **1,632** | **–** | **8** | **1,640** |
| – effect of changes in financial assumptions | **(3,615)** | **6,255** | **(392)** | **2,248** |
| – effect of experience adjustments | **1,173** | **–** | **(164)** | **1,009** |
| **Defined benefit pension income/(expense) recognised in other comprehensive income** | **4,142** | **8,604** | **(582)** | **12,164** |

| | Restated Ireland 2012 €'000 | Restated UK 2012 €'000 | Restated Europe 2012 €'000 | Restated Total 2012 €'000 |
|---|---|---|---|---|
| Remeasurement gain on scheme assets | 5,408 | 2,519 | 591 | 8,518 |
| Plan administration expenses higher than expected | – | – | – | – |
| Remeasurement gains/(losses) on scheme liabilities | | | | |
| – effect of changes in demographic assumptions | – | (994) | 211 | (783) |
| – effect of changes in financial assumptions | (14,625) | (5,884) | (1,318) | (21,827) |
| – effect of experience adjustments | (300) | 2,822 | 27 | 2,549 |
| **Defined benefit pension expense recognised in other comprehensive income** | (9,517) | (1,537) | (489) | (11,543) |

### Actual Return on Scheme Assets

| | **Ireland 2013 €'000** | **UK 2013 €'000** | **Europe 2013 €'000** | **Total 2013 €'000** |
|---|---|---|---|---|
| Total return on assets | **7,937** | **4,646** | **192** | **12,775** |

| | Restated 2012 €'000 | Restated 2012 €'000 | Restated 2012 €'000 | Restated 2012 €'000 |
|---|---|---|---|---|
| Total return on assets | 8,723 | 4,954 | 792 | 14,469 |

The cumulative remeasurement loss before deferred tax recognised in the statement of other comprehensive income and expense is €33,667,000 (restated 2012: €45,831,000).

The expected level of employer contributions for the year ended 31 December 2014 is €4,746,000.

The weighted average duration of the defined benefit obligation was 20.8 years at 31 December 2013.

### Sensitivity of Pension Liability to Judgmental Assumptions

Actuarial assumptions have a significant impact on the reported net pension obligation. Analysed below is the impact of certain movements in key assumptions.

| | **Ireland €'000** | **UK €'000** | **Europe €'000** | **Total €'000** |
|---|---|---|---|---|
| *Discount rates* | | | | |
| – 0.25% increase in discount rate (reduces obligation) | 3,507 | 3,241 | 385 | 7,133 |
| – 0.25% decrease in discount rate (increases obligation) | (3,745) | (3,443) | (415) | (7,603) |
| *Inflation rate* | | | | |
| – 0.50% increase in inflation rate (increase obligation) | (4,021) | (4,483) | (65) | (8,569) |
| – 0.50% decrease in inflation rate (reduces obligation) | 3,712 | 3,964 | 69 | 7,745 |
| *Salary increase* | | | | |
| – additional 1.00% increase in salary (increase obligation) | (2,036) | (3,726) | (594) | (6,356) |
| – decrease of 1.00% in salary (reduces obligation) | 2,837 | 3,366 | 508 | 6,711 |
| *Pension increase* | | | | |
| – additional 1.00% increase in pension (increase obligation) | (5,341) | (6,632) | – | (11,973) |
| – decrease of 1.00% in pension (reduces obligation) | 4,738 | 6,331 | – | 11,069 |
| *Life expectation* | | | | |
| – additional 1 year life expectancy (increase obligation) | (2,210) | (1,409) | (124) | (3,743) |
| – decrease of 1 year in life expectancy (reduces obligation) | 2,236 | 1,471 | 128 | 3,835 |

Although the analysis does not take full account of the distribution of cashflows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown.

# Notes to the Group Financial Statements
for the year ended 31 December 2013 (Continued)

## 28. Employee Benefits (Continued)

### Share-based Payment

The Group established a share option scheme in December 2006 which entitles certain employees to purchase shares in Total Produce plc. In 2007, 5,085,000 options were awarded under this scheme and in 2008, 2,400,000 options were awarded. On 26 March 2013 a further 4,050,000 options were awarded to employees under this scheme. In accordance with the terms of the scheme, the options granted are exercisable at the market price prevailing at the date of the grant of the option.

The share options granted only vest when the adjusted earnings per share figure, in respect of the third or any subsequent accounting period after the end of the basis year (i.e. accounting period preceding the date of the grant), is greater than the adjusted earnings per share figure for the basis year by a percentage which is not less than (on a year-on-year basis) the annual percentage increase in the consumer price index plus 5% compounded during that period. The share options vest subject to the achievement of the performance condition above. The contractual life of the options is ten years.

Details of options granted under these schemes are as follows:

| | Vesting period | Number of options | Weighted grant price € | Average fair value € | **Income statement expense 2013 €'000** | Income statement expense 2012 €'000 |
|---|---|---|---|---|---|---|
| 9 May 2007 | 6 years | 3,975,000 | 0.815 | 0.3236 | **124** | 271 |
| 20 September 2007 | 6 years | 1,110,000 | 0.65 | 0.2604 | **27** | 74 |
| 5 March 2008 | 5 years | 2,400,000 | 0.60 | 0.2039 | **99** | 128 |
| 26 March 2013 | 4 years | 4,050,000 | 0.669 | 0.2040 | **153** | – |
| | | | | | **403** | 473 |

As explained above, the date at which employees may exercise their options is based on a non-market-related performance condition.

The fair value of services received in return for share options granted is measured by reference to fair value of the share options granted. The estimate of options granted during the year was measured based on a binomial lattice model. The contractual life of the options, which is ten years, is used as an input in this model. Expectations of early exercise are incorporated into the binominal lattice model and are reflected in the assumptions.

The assumptions used in the binominal model for calculating the fair value of share options granted in 2007, 2008 and 2013 were as follows:

| Assumptions used | **Options granted in 2013** | Options granted in 2008 | Options granted in 2007 |
|---|---|---|---|
| Weighted average exercise price | **0.669** | 0.60 | 0.779 |
| Expected volatility | **40%** | 40% | 35% |
| Option life | **9.65 years** | 9.65 years | 9.94 years |
| Expected dividend yield | **3.25%** | 3.50% | 2.00% |
| Risk-free interest rate | **1.43%** | 4.01% | 4.41% |

The expected volatility and option life are expressed as weighted averages used in modelling in the binominal lattice model. The expected volatility is based on the historic volatility of the share price and the historical volatility of similar quoted companies.

Share options are subject to vesting conditions which comprise a service condition and a non-market-related performance condition, which is the achievement of growth in adjusted earnings per share as set out earlier.

A summary of the activity during the year under the Group's share option schemes together with the weighted average exercise price of the share options is as follows:

| | 2013 Number of options | 2013 Weighted average exercise price € | 2012 Number of options | 2012 Weighted average exercise price € |
|---|---|---|---|---|
| Outstanding options at beginning of year | **7,060,000** | **0.7183** | 7,260,000 | 0.7209 |
| Options granted during year | **4,050,000** | **0.6690** | – | – |
| Forfeited during year | **–** | **–** | (200,000) | (0.8150) |
| Options outstanding at end of year | **11,110,000** | **0.7003** | 7,060,000 | 0.7183 |

Analysis of the closing balance – outstanding at end of year:

| Date of grant | Date of expiry | 2013 Number of options | 2013 Exercise price € | 2012 Number of options | 2012 Exercise price € |
|---|---|---|---|---|---|
| 9 May 2007 | 9 May 2017 | **3,625,000*** | **0.815** | 3,625,000 | 0.815 |
| 20 September 2007 | 20 September 2017 | **1,110,000*** | **0.65** | 1,110,000 | 0.65 |
| 5 March 2008 | 5 March 2018 | **2,325,000*** | **0.60** | 2,325,000 | 0.60 |
| 26 March 2013 | 25 March 2023 | **4,050,000** | **0.669** | – | – |
| | | **11,110,000** | | 7,060,000 | |

* At 31 December 2013, the performance condition for the share options issued in 2007 and 2008 was satisfied.

The options outstanding at 31 December 2013 have an exercise price in the range of €0.60 to €0.815 (2012: €0.60 to €0.815) and have a weighted average contractual life of 5.7 years (2012: 4.7 years). The market price of the Company's shares at 31 December 2013 was €0.82 and the range during 2013 was €0.56 to €0.868.

## 29. Capital Commitments and Contingencies

### Capital Commitments

The Directors have authorised capital expenditure of €14,584,000 (2012: €11,059,000) at the balance sheet date. Capital expenditure contracted for at 31 December 2013 amounted to €Nil (2012: €Nil).

### Subsidiaries

In order to avail of the exemption under Section 17 of the Companies (Amendment) Act, 1986, the Company has guaranteed the liabilities of certain of its subsidiaries registered in Ireland. As a result, the following subsidiaries have been exempted from the provisions of Section 7 of the Companies (Amendment) Act, 1986:

Hugh McNulty (Wholesale) Limited
Iverk Produce Limited
Total Produce International Limited
Total Produce International Holdings Limited
Total Produce Ireland Limited
Total Produce Management Services Limited
Uniplumo (Ireland) Limited
Waddell Limited

### Guarantees

Company

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies or joint ventures and associates within the Group, the Company considers these to be insurance arrangements and accounts for them as such. The Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee. The following are details of contracts made by the Company at 31 December 2013 to guarantee the indebtedness of other companies or joint ventures and associates within the Group:

(i) The Company has guaranteed the current bank borrowings of subsidiaries in the amount of €109,267,000 (2012: €148,009,000).
(ii) The Company has guaranteed its share of the interest shortfall on bank borrowings of a joint venture company subject to a maximum of €483,000 (2012: €650,000).
(iii) The Company has guaranteed bank borrowings of €937,000 (2012: €1,353,000) within a joint venture company.

# Notes to the Group Financial Statements
for the year ended 31 December 2013 (Continued)

## 29. Capital Commitments and Contingencies (Continued)

### Group

In addition to the Company guarantees above, certain Group subsidiaries have given guarantees totalling €8,285,000 (2012: €6,444,000) in respect of other trading obligations arising in the ordinary course of business. A subsidiary company has also guaranteed bank borrowings of €Nil (2012: €203,000) within a joint venture company. A separate subsidiary company has given a guarantee of €907,000 (2012: €1,046,000) relating to a finance lease that a joint venture company has entered into.

### Contingencies

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

## 30. Related Parties

### Identity of Related Parties

Under IAS 24 *Related Party Disclosures*, the Group has a related party relationship with its joint ventures and associates. Transactions with the Group's joint ventures and associates are set out below.

IAS 24 also requires the disclosure of compensation paid to the Group's key management personnel. This comprises its Executive Directors, Non-Executive Directors, Company Secretary and other senior management within the Group.

### Remuneration of Key Management Personnel

| | **2013 €'000** | 2012 €'000 |
|---|---|---|
| Short term benefits (salary, bonus, incentives) | **5,476** | 5,231 |
| Post-employment benefits | **570** | 637 |
| Share based payment expense | **182** | 215 |
| **Remuneration** | **6,228** | 6,083 |
| Short term incentive plan (a) | **1,232** | 958 |
| **Total** | **7,460** | 7,041 |

(a) The Compensation Committee made an award of €1,232,000 (2012: €958,000) to the Executive Director under the short term incentive plan. See page 48 for details.

### Related Party Transactions with Joint Ventures and Associates

The Group trades in the normal course of its business, in some situations under supply contracts, with its joint ventures and associates. A summary of transactions with these related parties during the year is as follows:

| | **2013 Revenue €'000** | **2013 Purchases €'000** | 2012 Revenue €'000 | 2012 Purchases €'000 |
|---|---|---|---|---|
| Joint ventures | **40,988** | **23,363** | 37,328 | 28,015 |
| Associates | **1,798** | **3,268** | 3,320 | 9,274 |
| | **42,786** | **26,631** | 40,648 | 37,289 |

The amounts due from and to joint ventures and associates at the year-end are disclosed, in aggregate, in Notes 16 and 22 respectively. The Group's significant joint ventures and associates are set out on page 126.

### Related Party Transactions with Shareholders in Group Companies

Coplaca is a co-operative of banana growers in the Canary Islands and owns 50% of the share capital of EurobananCanarias S.A., the other 50% being owned by the Group. During the financial year, EurobananCanarias S.A. purchased goods and services from Coplaca in the normal course of its business which are not material in relation to the sales and purchases of the Group. At 31 December 2013, the net amount due to Coplaca by EurobananCanarias S.A. was €6,113,000 (2012: €5,951,000).

**Related Party Transactions with Shareholders in Group Companies**

Balmoral International Land Holdings plc ('Balmoral') and the Group have one Director (Mr C P McCann) in common and therefore they are considered a related party for the purposes of IAS 24 *Related Party Disclosures*. During the year, the Group recognised the following income and expenses from transactions with Balmoral.

| | 2013 €'000 | 2012 €'000 |
|---|---|---|
| Expenses (mainly rental expenses) | (1,551) | (1,593) |
| Income | 237 | 258 |

Income relates to expenses recharged by the Group to Balmoral and relates to costs incurred by the Group on behalf of Balmoral, including recharges in respect of administration expenses and a portion of the employment costs of the Chairman.

The amount owed from Balmoral at the year-end was €Nil (2012: €128,000) and the amount owed to Balmoral was €Nil (2012: €Nil).

The Group has an investment in a 50:50 joint venture company with Balmoral which owns 127 acres of land in Dublin. Total Produce's investment in this joint venture company in 2013 was €210,000 (2012: €256,000). The Group's share of the operating losses of this joint venture in 2013 was €210,000 (2012: €256,000). The carrying value of the investment in this joint venture at 31 December 2013 was €Nil (2012: €Nil).

The Group has guaranteed its share of any interest shortfall on the joint venture's bank borrowings, subject to a maximum of €483,000 (2012: €650,000).

## 31. Financial Instruments and Financial Risk

### Accounting Classifications and Fair Values

The following table shows the carrying amounts and fair values of financial assets and liabilities, including their levels in the fair value hierarchy.

| | Cash flow hedges 2013 €'000 | Fair value through profit or loss 2013 €'000 | Loans and receivables 2013 €'000 | Available-for-sale 2013 €'000 | Liabilities at amortised cost 2013 €'000 | Total carrying amount 2013 €'000 | Fair value 2013 €'000 |
|---|---|---|---|---|---|---|---|
| Other financial assets[1] (Note 14) | – | – | – | 649 | – | 649 | 649 |
| Trade and other receivables[1]* (Note 16) | – | – | 276,880 | – | – | 276,880 | 276,880 |
| Bank deposits[1] (Note 17) | – | – | 4,740 | – | – | 4,740 | 4,740 |
| Derivative financial assets (Note 31) | – | 20 | – | – | – | 20 | 20 |
| Cash and cash equivalents[1] (Note 17) | – | – | 103,463 | – | – | 103,463 | 103,463 |
| | – | 20 | 385,083 | 649 | – | 385,752 | 385,752 |
| Trade and other payables[1] (Note 22) | – | (806) | – | – | (342,181) | (342,181) | (342,181) |
| Bank overdrafts[1] (Note 20) | – | – | – | – | (2,285) | (2,285) | (2,285) |
| Bank borrowings[1] (Note 20) | – | – | – | – | (112,040) | (112,040) | (111,751) |
| Finance lease liabilities[1] (Note 20) | – | – | – | – | (4,865) | (4,865) | (5,206) |
| Derivative financial liabilities (Note 31) | (213) | (432) | – | – | – | (645) | (645) |
| Contingent consideration (Note 24) | – | – | – | – | (23,970) | (23,970) | (23,970) |
| | (213) | (1,238) | – | – | (485,341) | (485,986) | (486,038) |

# Notes to the Group Financial Statements
for the year ended 31 December 2013 (Continued)

## 31. Financial Instruments and Financial Risk (Continued)

| | Cash flow hedges 2012 €'000 | Fair value through profit or loss 2012 €'000 | Loans and receivables 2012 €'000 | Available-for-sale 2012 €'000 | Liabilities at amortised cost 2012 €'000 | Total carrying amount 2012 €'000 | Fair value 2012 €'000 |
|---|---|---|---|---|---|---|---|
| Other financial assets[1] (Note 14) | – | – | – | 636 | – | 636 | 636 |
| Trade and other receivables[1]* (Note 16) | – | – | 278,628 | – | – | 278,628 | 278,628 |
| Bank deposits[1] (Note 17) | – | – | 3,799 | – | – | 3,799 | 3,799 |
| Cash and cash[1] equivalents (Note 17) | – | – | 105,692 | – | – | 105,692 | 105,692 |
| | – | – | 388,119 | 636 | – | 388,755 | 388,755 |
| Trade and other payables[1] (Note 22) | – | – | – | – | (328,686) | (328,686) | (328,686) |
| Bank overdrafts[1] (Note 20) | – | – | – | – | (5,372) | (5,372) | (5,372) |
| Bank borrowings[1] (Note 20) | – | – | – | – | (151,996) | (151,996) | (152,535) |
| Finance lease liabilities[1] (Note 20) | – | – | – | – | (5,150) | (5,150) | (5,627) |
| Derivative financial liabilities[1] (Note 31) | (67) | (274) | – | – | – | (341) | (341) |
| Contingent consideration[1] (Note 24) | – | – | – | – | (17,121) | (17,121) | (17,121) |
| | (67) | (274) | – | – | (508,325) | (508,666) | (509,682) |

1 The Group has availed of the exemption under IFRS 7 *Financial Instruments: Disclosure* for additional disclosures where fair value closely approximates carrying value.

* For the purposes of this analysis prepayments have not been included within other receivables. Carrying value of other financial assets, trade receivables and other receivables are stated net of impairment provision where necessary and consequently fair value is considered to approximate to carrying value.

### Measurement of Fair Values

Set out below are the major methods and assumptions used in estimating the fair values of the financial assets and liabilities disclosed in the preceding table.

#### Equity investments

Certain of the Group's available-for-sale financial assets are comprised of investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured. Such investments are measured at cost, less provision for impairment where appropriate and applicable.

#### Bank deposits

The original maturity of these deposits falls outside the three month timeframe for classification as cash and cash equivalents. The carrying amount is deemed to reflect fair value.

#### Cash and cash equivalents, including short-term bank deposits

For short term bank deposits and cash and cash equivalents, all of which have a remaining maturity of less than three months, the carrying amount is deemed to reflect fair value.

#### Trade and other receivables/trade and other payables

For receivables and payables with a remaining life of less than six months or demand balances, the carrying value less impairment provision, where appropriate, is deemed to reflect fair value.

#### Derivative instruments (forward currency contracts and interest rate swaps)

Forward currency contracts are valued using quoted forward exchange rates at the balance sheet date. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows.

#### Interest-bearing loans and borrowings

For floating rate interest-bearing loans and borrowings with a contractual repricing date of less than six months, the nominal amount is deemed to reflect fair value. For loans with repricing dates of greater than six months, the fair value is calculated based on the present value of the expected future principal and interest cash flows discounted at interest rates effective at the balance sheet date and adjusted for movements in credit spreads.

#### Finance lease liabilities

Fair value is based on the present value of future cash flows discounted at market rates.

**Fair Value Hierarchy**

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique.

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

At 31 December 2013 and 31 December 2012, the Group recognised and measured the following financial instruments at fair value:

| | 2013 Total €'000 | 2013 Level 1 €'000 | 2013 Level 2 €'000 | 2013 Level 3 €'000 |
|---|---|---|---|---|
| **Assets measured at fair value** | | | | |
| *At fair value through profit or loss* | | | | |
| Foreign exchange contracts | **20** | **–** | **20** | **–** |
| Options to acquires additional shares in subsidiaries, joint ventures and associates | **–** | **–** | **–** | **–** |
| **Liabilities measured at fair value** | | | | |
| *At fair value through profit or loss* | | | | |
| Foreign exchange contracts | **(432)** | **–** | **(432)** | **–** |
| Contingent consideration | **(23,970)** | **–** | **–** | **(23,970)** |
| *Designated as hedging instruments* | | | | |
| Foreign exchange contracts | **(213)** | **–** | **(213)** | **–** |

| | 2012 Total €'000 | 2012 Level 1 €'000 | 2012 Level 2 €'000 | 2012 Level 3 €'000 |
|---|---|---|---|---|
| **Liabilities measured at fair value** | | | | |
| *At fair value through profit or loss* | | | | |
| Foreign exchange contracts | (109) | – | (109) | – |
| Contingent consideration | (17,121) | – | – | (17,121) |
| *Designated as hedging instruments* | | | | |
| Foreign exchange contracts | (165) | – | (165) | – |
| Interest rate swaps | (67) | – | (67) | – |

**Level 2 and 3 fair values**

| Type | Valuation technique | Significant unobservable inputs | Inter-relationship between key unobservable inputs and fair value measurement |
|---|---|---|---|
| Contingent consideration | *Discounted cash flows:* This valuation model considers the present value of expected payment, discounted using a risk-adjusted discount rate. The expected payment is determined by forecasting the acquiree's EBITA over the applicable period. | • Forecast annual growth in EBITA in range of 0% to 17% (weighted average 4.3%)<br>• Risk adjusted discount rates of 4% to 5% (weighted average 4.2%) | The estimated fair value would increase/(decrease) if:<br>• EBITA growth were higher/(lower)<br>• Risk-adjusted discount rate were (lower)/higher |
| Forward exchange contracts and interest rate swaps | *Market comparison techniques:* The fair values are based on broker quotes. Similar contracts are traded in an active market and the quotes reflect the actual transactions in similar instruments. | Not applicable | Not applicable |

# Notes to the Group Financial Statements
for the year ended 31 December 2013 (Continued)

## 31. Financial Instruments and Financial Risk (Continued)

### Additional Disclosures for Level 3 Fair Value Measurements

| | 2013 €'000 |
|---|---|
| **At beginning of year** | **17,121** |
| Arising on acquisition of subsidiaries (Note 27) | **2,437** |
| Arising on acquisition of joint ventures and associates (Note 13) | **2,610** |
| Paid during the period | **(2,296)** |
| Revisions to previous estimates resulting in a revision to goodwill (Note 12) | **3,640** |
| ***Loss included in income statement*** | |
| – Remeasurement to fair value (Note 2) | **901** |
| Foreign exchange movements | **(443)** |
| **At end of year** | **23,970** |

The fair value of contingent consideration represents provision for the net present value of amounts expected to be payable in respect of acquisitions which are subject to earn-out arrangements.

### Risk Exposures

The Group's multinational operations expose it to various financial risks that include credit risk, liquidity risk, currency risk and interest rate risk. The Group has a risk management programme in place which seeks to limit the impact of these risks on the financial performance of the Group and it is the policy to manage these risks in a non-speculative manner.

The Group has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- currency risk
- interest rate risk
- equity price risk

This note presents information about the Group's exposure to each of the above risks and the Group's objectives, policies and processes for measuring and managing the risk. Further quantitative disclosures are included throughout this note.

The Board of Directors has the overall responsibility for the establishment and oversight of the Group's risk management framework. The Board has established the Executive Risk Committee, which is responsible for developing and monitoring the Group's risk management policies. The members of this committee include the Chief Executive, the Group Finance Director, a Group Executive Director, the Head of Internal Audit, the Company Secretary and a representative from senior management. Risk evaluation and recommendations for strategic change are reviewed by the Executive Risk Committee who report their findings to the Audit Committee for its consideration. The Audit Committee, in turn, report these findings to the Board enabling corrective initiatives to be undertaken where appropriate.

The Group has established a strong internal audit function under the direction of the Audit Committee. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

The Board, through its Audit and Executive Risk Committees, has reviewed the process for identifying and evaluating the significant risks affecting the business and the policies and procedures by which these risks will be managed effectively. The Board has embedded these structures and procedures throughout the Group and considers these to be a robust and efficient mechanism for creating a culture of risk awareness at every level of management.

### Credit Risk

Credit risk arises from credit to customers and joint ventures and associates arising on outstanding receivables and outstanding transactions as well as cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions.

#### Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The Group has detailed procedures for monitoring and managing the credit risk related to its trade receivables based on experience, customers' track record and historic default rates. Individual risk limits are generally set by customer, and risk is accepted above such limits only in defined circumstances. The utilisation of credit limits is regularly monitored and a significant element of the credit risk is covered by credit insurance. The impairment provision is used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible, at which point the amount is considered irrecoverable and is written off directly against the trade receivable.

The Group also makes advances to key suppliers, generally to secure produce in key categories. Advances made are generally interest-bearing and recovered through deduction from payments made in respect of produce delivered by the counterparty.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables and investments. The main components of this allowance are a specific loss component that relates to individually significant exposures and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified.

#### Cash and bank deposits

The Group's exposure to credit risk relating to cash and short term deposits is managed by investing funds with a number of different individual banks or institutions at any one time. At 31 December 2013 and throughout the year the majority of cash balances are invested with banks and institutions with a minimum credit rating of 'A'. Limits applied to individual counterparty banks are reviewed regularly along with their individual credit ratings.

#### Other financial assets

The Group has investments in companies with a strategic interest to the Group and limits its exposure by ensuring that such investments are of a non-speculative nature.

#### Loans to joint ventures and associates

The Group has advanced loans to certain joint ventures and associates. The Group limits its exposure through active participation in the execution of joint control and significant influence, through regular reviews of the business plans and results of its joint ventures and associates and by ensuring such funds are used in a non-speculative manner by its joint ventures and associates. Funding to joint ventures and associates is generally undertaken only where it is matched by comparable contributions from the joint venture partner or other investors.

The carrying amount of financial assets, net of impairment provisions represents the Group's maximum credit exposure. The maximum exposure to credit risk at year end was as follows:

| | **Carrying amount 2013 €'000** | Carrying amount 2012 €'000 |
|---|---:|---:|
| Other financial assets (Note 14) | **649** | 636 |
| Bank deposits (Note 17) | **4,740** | 3,799 |
| Cash and cash equivalents (Note 17) | **103,463** | 105,692 |
| Trade and other receivables* (Note 16) | **271,790** | 272,123 |
| Derivative financial instruments (Note 31) | **20** | – |
| | **380,662** | 382,250 |

* For the purposes of this analysis prepayments have not been included within trade and other receivables.

# Notes to the Group Financial Statements
for the year ended 31 December 2013 (Continued)

## 31. Financial Instruments and Financial Risk (Continued)

### Trade receivables

The Group has detailed procedures for monitoring and managing the credit risk related to its trade receivables. Trade receivables are monitored by geographic region and by largest customers. The maximum exposure to credit risk for trade receivables at the reporting date by reporting segments was as follows:

| | Carrying amount 2013 €'000 | Restated Carrying amount 2012 €'000 |
|---|---|---|
| Fresh Produce | | |
| – Eurozone | **114,276** | 115,539 |
| – Northern Europe | **77,331** | 77,720 |
| – UK | **45,272** | 41,886 |
| – International | **–** | – |
| Healthfoods and Consumer Products Distribution | **13,086** | 13,436 |
| | **249,965** | 248,581 |

The Group also manages credit risk through the use of a number of sales or receivables arrangements. Under the terms of these agreements the Group has transferred substantially all of the credit risk which are subject to these agreements. Accordingly €25,102,000 (2012: €12,689,000) has been derecognised at year-end.

The following table details the ageing of gross trade receivables including equivalent amounts due from joint ventures and associates, and the related impairment provisions in respect of specific amounts expected to be irrecoverable:

| | Gross 2013 €'000 | Impairment 2013 €'000 | Net 2013 €'000 | Gross 2012 €'000 | Impairment 2012 €'000 | Net 2012 €'000 |
|---|---|---|---|---|---|---|
| Not past due | **203,251** | **(2,305)** | **200,946** | 201,468 | (1,906) | 199,562 |
| Past due 0 – 30 days | **38,389** | **(370)** | **38,019** | 37,438 | (1,417) | 36,021 |
| Past due 31 – 90 days | **9,154** | **(508)** | **8,646** | 9,604 | (754) | 8,850 |
| Past due 91 – 180 days | **2,013** | **(876)** | **1,137** | 3,673 | (1,080) | 2,593 |
| Past due more than 180 days | **4,942** | **(3,725)** | **1,217** | 4,590 | (3,035) | 1,555 |
| | **257,749** | **(7,784)** | **249,965** | 256,773 | (8,192) | 248,581 |

### Other receivables

The following table details the ageing of other receivables (non-current and current) including loans and advances to suppliers and related impairment provisions in respect of specific amounts expected to be irrecoverable:

| | Gross 2013 €'000 | Impairment 2013 €'000 | Net 2013 €'000 | Gross 2012 €'000 | Impairment 2012 €'000 | Net 2012 €'000 |
|---|---|---|---|---|---|---|
| Not past due | **24,938** | **(1,413)** | **23,525** | 25,577 | (604) | 24,973 |
| Past due 0 – 30 days | **70** | **–** | **70** | 65 | – | 65 |
| Past due 31 – 90 days | **22** | **(22)** | **–** | 844 | (317) | 527 |
| Past due 91 – 180 days | **42** | **(42)** | **–** | – | – | – |
| Past due more than 180 days | **1,419** | **(1,419)** | **–** | 1,530 | (1,530) | – |
| | **26,491** | **(2,896)** | **23,595** | 28,016 | (2,451) | 25,565 |

### Non-trade receivables due from joint ventures and associates

At year-end, the Group has non-trade receivable balances due from its joint ventures and associates of €3,320,000 (2012: €4,482,000), net of an impairment provision of €1,275,000 (2012: €Nil).

**Analysis of Movement in Impairment Provisions:**
Trade receivables – impairment provision

| | 2013 €'000 | 2012 €'000 |
|---|---|---|
| Balance at beginning of year | **(8,192)** | (6,173) |
| Arising on acquisition | **(117)** | (4) |
| Utilised on write-off | **2,870** | 789 |
| Charge to income statement | **(2,445)** | (2,750) |
| Foreign exchange movement | **100** | (54) |
| | **(7,784)** | (8,192) |

Other receivables – impairment provision

| | 2013 €'000 | 2012 €'000 |
|---|---|---|
| Balance at beginning of year | **(2,451)** | (1,948) |
| Utilised on write-off | **176** | 134 |
| Charge to income statement | **(629)** | (636) |
| Foreign exchange movement | **8** | (1) |
| | **(2,896)** | (2,451) |

**Liquidity Risk**
Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure as far as possible that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions without incurring unacceptable losses or risking damage to the Group's reputation.

The Group operates a prudent approach to liquidity management using a combination of long and short term debt and cash and cash equivalents to meet its liabilities when due. This is in addition to the Group's high level of operating cash flow generation.

It is the policy of the Group to have adequate committed undrawn facilities available at all times to cover unanticipated financing requirements. The Group has approval of term borrowings of up to €287 million (2012: €309 million) in addition to approved overdrafts of €94 million (2012: €110 million). The Directors believe that, as a result, the Group is well placed to refinance or repay all borrowings due for repayment as they fall due.

The following are the contractual maturities of the financial liabilities, including estimated interest payments:

| | Carrying amount 2013 €'000 | Contractual cash flows 2013 €'000 | 6 months or less 2013 €'000 | 6-12 months 2013 €'000 | 1-2 years 2013 €'000 | 2-5 years 2013 €'000 | More than 5 years 2013 €'000 |
|---|---|---|---|---|---|---|---|
| **Non-derivative financial liabilities** | | | | | | | |
| Bank borrowings | **(112,040)** | **(124,889)** | **(2,529)** | **(2,490)** | **(38,884)** | **(59,729)** | **(21,257)** |
| Bank overdraft | **(2,285)** | **(2,285)** | **(2,285)** | **–** | **–** | **–** | **–** |
| Finance lease liabilities | **(4,865)** | **(5,581)** | **(758)** | **(757)** | **(1,562)** | **(2,504)** | **–** |
| Trade and other payables | **(342,181)** | **(343,580)** | **(341,805)** | **(39)** | **(281)** | **(353)** | **(1,102)** |
| Contingent consideration | **(23,970)** | **(25,925)** | **(6,183)** | **(366)** | **(8,006)** | **(9,890)** | **(1,480)** |
| **Derivative financial instruments** | | | | | | | |
| Forward exchange contracts: | | | | | | | |
| – inflows | **–** | **39,081** | **36,394** | **2,687** | **–** | **–** | **–** |
| – outflows | **(645)** | **(41,770)** | **(38,974)** | **(2,796)** | **–** | **–** | **–** |
| Interest rate swaps | **–** | **–** | **–** | **–** | **–** | **–** | **–** |
| | **(485,986)** | **(504,949)** | **(356,140)** | **(3,761)** | **(48,733)** | **(72,476)** | **(23,839)** |

# Notes to the Group Financial Statements
for the year ended 31 December 2013 (Continued)

## 31. Financial Instruments and Financial Risk (Continued)

| | Carrying amount 2012 €'000 | Contractual cash flows 2012 €'000 | 6 months or less 2012 €'000 | 6-12 months 2012 €'000 | 1-2 years 2012 €'000 | 2-5 years 2012 €'000 | More than 5 years 2012 €'000 |
|---|---|---|---|---|---|---|---|
| **Non-derivative financial liabilities** | | | | | | | |
| Bank borrowings | (151,996) | (171,085) | (3,303) | (3,138) | (6,257) | (132,972) | (25,415) |
| Bank overdraft | (5,372) | (5,372) | (5,372) | – | – | – | – |
| Finance lease liabilities | (5,150) | (6,162) | (664) | (664) | (1,209) | (3,625) | – |
| Trade and other payables | (328,686) | (328,701) | (326,631) | (190) | (236) | (858) | (786) |
| Contingent consideration | (17,121) | (19,225) | (1,566) | (246) | (4,645) | (10,288) | (2,480) |
| **Derivative financial instruments** | | | | | | | |
| Forward exchange contracts: | | | | | | | |
| – inflows | – | 34,186 | 34,186 | – | – | – | – |
| – outflows | (274) | (34,460) | (34,460) | – | – | – | – |
| Interest rate swaps | (67) | (67) | – | (67) | – | – | – |
| | (508,666) | (530,886) | (337,810) | (4,305) | (12,347) | (147,743) | (28,681) |

### Market Risk
Market risk is the risk that changes in market prices and indices such as foreign exchange rates and interest rates will affect the Group's income or the value of its holdings of financial instruments. The objective of the Group's risk management strategy is to manage and control market risk exposures within acceptable parameters, while optimising the return earned by the Group. The Group has three types of market risk being currency risk, interest rate risk and other market price risk, which are dealt with as follows.

### Currency Risk
Structural currency risk

While many of the Group's operations are carried out in Eurozone economies, it also has significant operations in the UK, Sweden, Denmark, the Czech Republic, Canada, the USA and prior to disposal of an associate in 2013, South Africa. As a result, the Group is exposed to structural currency fluctuations including, in particular, Sterling, Swedish Krona and US dollar. The Group generally finances initial overseas investments through foreign currency borrowings which naturally hedge the foreign currency investment. Interest on borrowings is therefore denominated in currencies that match the cash flows generated by the underlying operations of the Group which provides an economic hedge. Post initial acquisition, these businesses generally fund their operations locally. To the extent that the net assets of foreign operations increase, the Group is exposed on the additional net assets. Such movements are dealt with in other comprehensive income.

Transactional currency risk

Foreign exchange risk also arises from foreign currency transactions, assets and liabilities. Management requires all Group operations to manage their foreign exchange risk against their functional currency. The Group's companies in the UK, Sweden, Denmark and the Czech Republic purchase a significant volume of fruit in Euro and such currency risks are monitored on a daily basis and managed by utilising spot and forward foreign currency contracts where appropriate. The vast majority of transactions entered into by the Group's entities in the Eurozone are denominated in their functional Euro currency.

The Group's exposure to transactional foreign currency risk is as follows:

| | Euro 2013 €'000 | Sterling 2013 €'000 | SEK 2013 €'000 | CZK 2013 €'000 | DKK 2013 €'000 | US Dollar 2013 €'000 | CAD Dollar 2013 €'000 | Other 2013 €'000 |
|---|---|---|---|---|---|---|---|---|
| Trade and other receivables | **28,148** | **6,812** | **1,275** | – | **2,669** | **1,349** | – | **1,417** |
| Equity investments | – | – | – | – | – | – | – | **93** |
| Derivative financial assets | – | **23** | – | – | – | – | – | – |
| Cash and cash equivalents | **11,043** | **3,081** | **5** | – | **3,996** | **1,832** | – | **5,174** |
| Bank overdrafts | – | – | **(559)** | – | – | **(35)** | – | – |
| Bank borrowings(i) | – | **(25,844)** | **(34,416)** | **(8,366)** | – | **(10,640)** | – | – |
| Trade and other payables | **(88,420)** | **(6,505)** | **(1,573)** | – | **(2,444)** | **(1,653)** | – | **(1,287)** |
| Derivative financial liabilities | **(361)** | – | – | – | – | **(288)** | – | – |
| Contingent consideration obligations | – | – | – | **(89)** | – | – | – | – |
| | **(49,590)** | **(22,433)** | **(35,268)** | **(8,455)** | **4,221** | **(9,435)** | – | **5,397** |

| | Euro 2012 €'000 | Sterling 2012 €'000 | SEK 2012 €'000 | CZK 2012 €'000 | DKK 2012 €'000 | US Dollar 2012 €'000 | CAD Dollar 2012 €'000 | Other 2012 €'000 |
|---|---|---|---|---|---|---|---|---|
| Trade and other receivables | 24,988 | 3,525 | 823 | – | 2,060 | 387 | – | 2,128 |
| Derivative financial assets | – | – | – | – | – | – | – | – |
| Cash and cash equivalents | 15,649 | 1,473 | 1,038 | – | 2,110 | 1,943 | 11,360 | 875 |
| Bank overdrafts | – | (1,015) | – | – | – | – | – | – |
| Bank borrowings(i) | – | (26,844) | (48,340) | (11,364) | – | – | (11,360) | – |
| Trade and other payables | (102,570) | (2,621) | (1,107) | (249) | (843) | (1,986) | – | (1,658) |
| Derivative financial liabilities | (218) | – | – | – | (3) | (41) | – | – |
| Contingent consideration obligations | – | – | – | (94) | – | – | – | – |
| | (62,151) | (25,482) | (47,586) | (11,707) | 3,324 | 303 | – | 1,345 |

(i) The majority of these borrowings are designated as hedges of the Group's net investment in foreign operations with matching functional currencies. Gains and losses arising on translation are therefore taken to the foreign currency translation reserve.

Sensitivity analysis

A 5% strengthening or weakening in the Euro against Sterling, the US Dollar, Swedish Krona or Czech Koruna, based on outstanding financial assets and liabilities at 31 December 2013 and 31 December 2012, would have increased/(decreased) other comprehensive income and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

| | 5% strengthening | | 5% weakening | |
|---|---|---|---|---|
| | Income statement €'000 | Other comprehensive income €'000 | Income statement €'000 | Other comprehensive income €'000 |
| **31 December 2013** | | | | |
| Sterling | **(130)** | **1,230** | **193** | **(1,361)** |
| Swedish Krona | **(391)** | **1,639** | **(158)** | **(1,811)** |
| Czech Koruna | **(248)** | **398** | **274** | **(440)** |
| US Dollar | **(368)** | **507** | **431** | **(560)** |
| **31 December 2012** | | | | |
| Sterling | (1,356) | 1,278 | 1,506 | (1,413) |
| Swedish Krona | (274) | 2,302 | 534 | (2,544) |
| Czech Koruna | (199) | 541 | 226 | (598) |
| US Dollar | 44 | 50 | (43) | (50) |

# Notes to the Group Financial Statements
for the year ended 31 December 2013 (Continued)

## 31. Financial Instruments and Financial Risk (Continued)

### Interest Rate Risk

The Group holds both interest-bearing assets and interest-bearing liabilities. In general, the approach employed by the Group to manage its interest exposure is to maintain the majority of its cash, short term bank deposits and interest-bearing borrowings on floating rates. Rates are generally fixed for relatively short periods in order to match funding requirements while making it possible to benefit from opportunities due to movement in longer term rates. At 31 December 2013, 48.8% (2012: 37.3%) of the Group's term bank borrowings were on long term fixed rates. In limited instances, the Group uses floating-to-fixed interest rate swaps which have the economic effect of converting borrowings from floating to fixed rates. At year-end, the interest rate profile of interest-bearing financial instruments was:

| | **Carrying amount 2013 €'000** | Carrying amount 2012 €'000 |
|---|---|---|
| *Fixed rate instruments* | | |
| Bank borrowings | **(55,844)** | (56,510) |
| Finance lease liabilities | **–** | (5) |
| | **(55,844)** | (56,515) |
| *Variable rate instruments* | | |
| Bank deposits | **4,740** | 3,799 |
| Cash and cash equivalents | **103,463** | 105,692 |
| Bank overdrafts | **(2,285)** | (5,372) |
| Bank borrowings | **(56,196)** | (95,486) |
| Finance lease liabilities | **(4,865)** | (5,145) |
| | **44,857** | 3,488 |
| **Net debt** | **(10,987)** | (53,027) |

### Cash flow sensitivity analysis for variable rate instruments

At 31 December 2013, the average interest rate being earned on the Group's cash and cash equivalents was 1.07 % (2012: 1.17%). At 31 December 2013, the average interest rate being paid on the Group's borrowings was 3.35% (2012: 3.34%). An increase or decrease of 50 basis points in interest rates at the reporting date would have had the following effect on the income statement and other comprehensive income. This analysis assumes that all other variables, in particular foreign currency rates, remained constant.

| | 50 basis point increase | | 50 basis point decrease | |
|---|---|---|---|---|
| | Income statement €'000 | Other comprehensive income €'000 | Income statement €'000 | Other comprehensive income €'000 |
| **31 December 2013** | | | | |
| **Variable rate instruments** | **224** | **–** | **(224)** | **–** |
| *31 December 2012* | | | | |
| Variable rate instruments | 17 | – | (17) | – |

### Equity Price Risk

Equity price risk arises from the available-for-sale equity securities which are held for strategic reasons of the Group. The primary goal of the Group's investment strategy is to maximise investment returns in order to meet the specific strategic objectives of the Group and it is the policy of the Group not to invest in speculative equity securities.

### Accounting for Derivatives and Hedging Activities

Derivative financial instruments are measured at fair value at inception and at each reporting date, with the movement recognised in the income statement unless they are designated as cash flow hedges under IAS 39. Where instruments are classified as cash flow hedges, they are accounted for under hedge accounting rules with gains or losses arising on the effective portion of the derivative instrument recognised in the cash flow hedge reserve, as a separate component of equity. Gains or losses on any ineffective portion of the derivative are recognised in the income statement. When the hedged transaction matures, the related gains or losses in the cash flow hedge reserve are transferred to the income statement. The fair value of derivatives at the balance sheet date is set out in the following table.

| | **Assets 2013 €'000** | **Liabilities 2013 €'000** | Assets 2012 €'000 | Liabilities 2012 €'000 |
|---|---|---|---|---|
| Forward currency contracts | **20** | **(645)** | – | (274) |
| Interest rate swaps | **–** | **–** | – | (67) |
| | **20** | **(645)** | – | (341) |

Derivatives at the end of year are classified as follows:

| | **2013 €'000** | 2012 €'000 |
|---|---|---|
| Cash flow hedges – liabilities | **(213)** | (232) |
| Fair value through income statement – assets | **20** | – |
| Fair value through income statement – liabilities | **(432)** | (109) |
| | **(625)** | (341) |

The movement in cash flow hedges during the year was as follows:

| | **2013 €'000** | 2012 €'000 |
|---|---|---|
| Effective portion of changes in fair value of cash flow hedges | **691** | (928) |
| Fair value of cash flow hedges transferred to income statement | **(856)** | 930 |
| | **(165)** | 2 |

The Group uses foreign currency borrowings to hedge the net investment in foreign entities. The carrying value of borrowings designated as net investment hedges at the year-end amounts to €79,267,000 (2012: €86,548,000). The gains or losses on the effective portions of such borrowings are recognised in other comprehensive income. Ineffective portions of the gains and losses on such borrowings are recognised in the income statement although no ineffectiveness has been recognised in the current or prior period. Gains and losses accumulated in other comprehensive income are included in the income statement on the disposal of a foreign entity.

# Notes to the Group Financial Statements
for the year ended 31 December 2013 (Continued)

## 32. Cash Generated from Operations

| | Notes | 2013 €'000 | Restated 2012 €'000 |
|---|---|---|---|
| **Operating activities** | | | |
| Profit for the year | | **38,195** | 28,207 |
| *Non-cash adjustments to reconcile profit to net cash flows:* | | | |
| Income tax expense | 7 | **10,040** | 8,179 |
| Income tax paid | | **(10,829)** | (11,814) |
| Depreciation of property, plant and equipment | 10 | **13,170** | 13,370 |
| Fair value movement on investment property | 11 | **3,694** | – |
| Impairment of property, plant and equipment | 10 | **808** | – |
| Fair value remeasurements of contingent consideration estimates | 24 | **901** | 465 |
| Remeasurement to fair value of pre-existing interest in associate | 6 | **(702)** | – |
| Amortisation of intangible assets – acquisition related | 12 | **6,369** | 6,732 |
| Amortisation of intangible assets – development costs capitalised | 12 | **413** | 395 |
| Amortisation of intangible assets – computer software | 12 | **261** | 25 |
| Amortisation of government grants | 23 | **(348)** | (292) |
| Movements on other provisions | 24 | **–** | (523) |
| Defined benefit pension scheme expense | 28 | **4,053** | 3,544 |
| Credit on modification to Group's defined benefit pension arrangements | 28 | **(10,317)** | – |
| Contributions to defined benefit pension schemes | 28 | **(4,819)** | (5,034) |
| Share based payment expense | 28 | **403** | 473 |
| Net gain on disposal of property, plant and equipment | | **(299)** | (567) |
| Financial income | 4 | **(2,123)** | (1,851) |
| Financial expense | 4 | **7,301** | 7,606 |
| Financial income received | | **2,191** | 1,642 |
| Financial expense paid | | **(7,530)** | (7,386) |
| Gain on non-hedging derivative financial instruments | 2 | **(566)** | (304) |
| Gain on disposal of joint ventures and associates | 2 | **(234)** | (303) |
| Share of profit of joint ventures | 13 | **(2,546)** | (2,553) |
| Share of profit of associates | 13 | **(2,455)** | (2,019) |
| **Net cash flows from operating activities before working capital movements** | | **45,031** | 37,992 |
| *Movements in working capital:* | | | |
| Movements in inventories | | **(2,733)** | (5,620) |
| Movements in receivables | | **3,581** | 2,659 |
| Movements in payables | | **13,596** | 15,027 |
| ***Total movements in working capital*** | | **14,444** | 12,066 |
| **Net cash flows from operating activities** | | **59,475** | 50,058 |

## 33. Accounting Estimates and Judgments

The preparation of consolidated financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively. Management discussed with the Audit Committee the development, selection and disclosure of the Group's critical accounting policies and estimates and the application of these policies and estimates.

Particular areas which are subject to accounting estimates and judgments in these financial statements are as follows:

- Note 28 – measurement of defined benefit pension obligations require the use of actuaries and determination of appropriate assumptions such as discount rates and mortality rates.
- Note 12 – impairment testing of goodwill requires assumptions in calculating underlying recoverable amounts including cashflows generated by operating units and discount rates used to discount future cashflows.
- Note 26 – recognition of deferred tax assets requires assessment of availability of future taxable profit against which carried forward tax losses can be used.

### Measurement of Fair Value

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation technique as follows:

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

If the inputs used to measure the fair value of an asset or a liability are categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group measures transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in the following notes:

Note 10 – Property, Plant and Equipment
Note 11 – Investment Property
Note 24 – Provisions
Note 28 – Employee Benefits

# Notes to the Group Financial Statements
for the year ended 31 December 2013 (Continued)

## 34. Translation of Foreign Currencies

The presentation currency of the Group is Euro, which is the functional currency of the parent. Results and cashflows of foreign currency denominated operations have been translated into Euro at the average exchange rates for the period, and the related balance sheets have been translated at the rates of exchange ruling at the balance sheet date. Adjustments arising on the translation of the results of foreign currency denominated operations at average rates, and on restatement of the opening net assets at closing rates, are accounted for within a separate translation reserve within equity, net of differences on related foreign currency borrowings designated as hedges of those net investments. All other translation differences are taken to the income statement. The principal rates used in the translation of results and balance sheets into Euro were as follows:

| | Average rate | | | Closing rate | | |
|---|---|---|---|---|---|---|
| | **2013** | 2012 | % change | **2013** | 2012 | % change |
| Canadian Dollar | **1.3685** | – | – | **1.4641** | 1.3127 | (11.5%) |
| Czech Koruna | **26.3221** | 25.1879 | (4.5%) | **27.3718** | 25.0942 | (9.1%) |
| Danish Kroner | **7.4580** | 7.4438 | (0.2%) | **7.4601** | 7.4606 | 0.0% |
| Indian Rupee | **77.2560** | 68.3410 | (13.0%) | **85.2304** | 72.2313 | (18.0%) |
| Polish Zloty | **4.1875** | 4.1754 | (0.3%) | **4.1578** | 4.0800 | (1.9%) |
| Pound Sterling | **0.8510** | 0.8086 | (5.2%) | **0.8319** | 0.8110 | (2.6%) |
| South African Rand | **12.8226** | 10.5503 | (21.5%) | **14.4319** | 11.1852 | (29.0%) |
| Swedish Krona | **8.6418** | 8.7277 | 1.0% | **8.8498** | 8.5763 | (3.2%) |
| US Dollar | **1.3285** | – | – | **1.3780** | 1.2698 | (8.5%) |

## 35. Post Balance Sheet Events

Post year-end, the Group completed an agreement (subject to regulatory approval) to acquire the second 50% shareholding in All Seasons Fruit ('ASF') in Holland in three stages. An initial 20% shareholding will be acquired on completion with the balance to be acquired in subsequent years. Other than this acquisition there have been no other material events subsequent to 31 December 2013 which would require disclosure or adjustment in the financial statements.

## 36. Significant Subsidiaries, Joint Ventures and Associates

The list of significant subsidiaries, joint ventures and associates forms part of the notes to financial statements. The principal areas of operations are the countries of incorporation.

| Subsidiaries | Principal activity | Group share % | Country of incorporation | Registered office |
|---|---|---|---|---|
| Total Produce Ireland Limited* | Fresh Produce company | 100 | Ireland | Charles McCann Building, Rampart Road, Dundalk, Co Louth |
| Uniplumo (Ireland) Limited* | Cultivation and distribution of houseplants | 100 | Ireland | Charles McCann Building, Rampart Road, Dundalk, Co Louth |
| Allegro Limited * | Consumer goods company | 90 | Ireland | 1 Beresford Street, Dublin 7 |
| Total Produce International Holdings Limited* | Investment holding company | 100 | Ireland | Charles McCann Building, Rampart Road, Dundalk, Co Louth |
| Total Produce Belfast Limited | Fresh Produce company | 100 | United Kingdom | 231 City Business Park, Dunmurry, Belfast, BT17 8HY |
| R Group Holdings Limited | Investment holding company | 100 | United Kingdom | Enterprise Way, Pinchbeck, Spalding PE11 3YR |
| Redbridge Holdings Limited | Fresh Produce company | 100 | United Kingdom | Enterprise Way, Pinchbeck, Spalding PE11 3YR |
| TPH (UK) Limited | Investment holding company | 100 | United Kingdom | Enterprise Way, Pinchbeck, Spalding PE11 3YR |
| Total Produce Holdings (UK) Limited | Investment holding company | 100 | United Kingdom | Enterprise Way, Pinchbeck, Spalding PE11 3YR |
| Total Produce Limited | Fresh Produce company | 100 | United Kingdom | Enterprise Way, Pinchbeck, Spalding PE11 3YR |
| Total Produce Holdings B.V. | Investment holding company | 100 | Netherlands | Marconistraat 19, 3029 AE Rotterdam |
| Total Produce B.V. | Fresh Produce company | 100 | Netherlands | Marconistraat 19, 3029 AE Rotterdam |
| EurobananCanarias S.A. | Fresh Produce company | 50 | Spain | Avda. de Anaga Nº11, 38001 Santa Cruz de Tenerife |
| Peviani SpA | Fresh Produce company | 50 | Italy | Largo Augusto 8, 20122, Milan |
| Hortim International s.r.o. | Fresh produce company | 75 | Czech Republic | Breclao, ZIP 690 02, Haskova 18, ICO 47915528 |
| Nordic Fruit Holding AB[1] | Investment holding company | 100 | Sweden | Långebergavägen 190, 256 69 Helsingborg |
| Total Produce Nordic A/S[2] | Investment holding company | 100 | Denmark | Gronttorvet 220, Copenhagen |
| Haluco B.V. | Fresh Produce company | 60 | Netherlands | Klappolder 224, 2665 MR Bleiswijk |
| Nedalpac B.V. | Fresh Produce company | 60 | Netherlands | Venrayseweg 128b, 5928 RH Venlo |
| Total Exotics Europe B.V. | Fresh Produce company | 100 | Netherlands | Handelsweg 150, 2988DC Ridderkerk |
| Indigo Fruit S.A.S | Fresh Produce company | 70 | France | Route de la Seds, Parc du Griffon Bat 14, Vitrolles F-13127 |
| Provenance Partners Limited | Fresh Produce Company | 50 | UK | c/o Shelly Stock Hunter LLP, 1st Floor, 7-10 Chandos Street, London W1G 9DG |

* Denotes subsidiaries owned directly by Total Produce plc.

1 Nordic Fruit Holding AB is the holding company of the Group's principal Swedish trading subsidiaries Everfresh AB and Interbanan AB.
2 Total Produce Nordic A/S is the holding company of the Group's principal Danish trading subsidiaries Brdr. Lembcke and Interbanan A/S.

# Notes to the Group Financial Statements
for the year ended 31 December 2013 (Continued)

## 36. Significant Subsidiaries, Joint Ventures and Associates (Continued)

| Joint ventures and associates | Principal activity | Group share % | Country of incorporation | Registered office |
|---|---|---|---|---|
| Grandview Ventures Limited | Fresh Produce company | 35 | Canada | Suite 530, North Office Tower Oakridge Centre, 650 West 41st Avenue Vancouver, BC V5Z 2M9 |
| Frankort & Koning Beheer Venlo B.V. | Fresh Produce company | 50 | Netherlands | Venrayseweg 126, 5928 RH Venlo |
| Anaco and Greeve International B.V. | Fresh Produce company | 50 | Netherlands | Postbus 31, 2685 ZG Poeldijk. |
| Suri Agro Fresh Pvt. Limited | Fresh Produce company | 50 | India | C-129, New Subzi Mandi, Azadpur, Delhi – 110033 |
| Frutas IRU S.A. | Fresh Produce company | 50 | Spain | Puestos 326-330, Mercabilbao, 48970 Basauri – Bilbao |
| ASF Holland B.V. | Fresh Produce company | 50 | Netherlands | Venrayseweg 126, 5928 RH, Venlo |

A full list of subsidiaries and joint ventures and associates is included with the Company's Annual Return filed with the Companies Registration Office.

* Denotes subsidiaries owned directly by Total Produce plc.

# Company Balance Sheet
as at 31 December 2013

| | Notes | 2013 €'000 | 2012 €'000 |
|---|---|---|---|
| *Assets* | | | |
| **Non-current** | | | |
| Investments in subsidiaries and joint ventures and associates | 37 | **249,004** | 248,648 |
| **Current** | | | |
| Trade and other receivables | 38 | **33,333** | 33,302 |
| Cash and cash equivalents | 39 | **107** | 23 |
| **Total current assets** | | **33,440** | 33,325 |
| **Total assets** | | **282,444** | 281,973 |
| *Equity* | | | |
| Share capital | | **3,519** | 3,519 |
| Share premium | | **252,574** | 252,574 |
| Other reserves | | **(6,514)** | (6,917) |
| Retained earnings | | **19,098** | 29,643 |
| **Total equity** | | **268,677** | 278,819 |
| *Liabilities* | | | |
| **Current** | | | |
| Trade and other payables | 40 | **13,767** | 3,154 |
| **Total current liabilities** | | **13,767** | 3,154 |
| **Total liabilities** | | **13,767** | 3,154 |
| **Total liabilities and equity** | | **282,444** | 281,973 |

On behalf of the Board

**C P McCann**
**Chairman**

**F J Davis**
**Finance Director**

# Company Statement of Changes in Equity
for the year ended 31 December 2013

| | Share capital €'000 | Share premium €'000 | Own shares reserve €'000 | Share option reserve €'000 | Retained earnings €'000 | Total €'000 |
|---|---|---|---|---|---|---|
| **As at 1 January 2012** | 3,519 | 252,574 | (8,580) | 1,190 | 26,221 | 274,924 |
| **Comprehensive income** | | | | | | |
| Profit for the year | – | – | – | – | 9,746 | 9,746 |
| **Other comprehensive income:** | | | | | | |
| Total other comprehensive income | – | – | – | – | – | – |
| **Total comprehensive income** | – | – | – | – | 9,746 | 9,746 |
| **Transactions with equity holders** | | | | | | |
| Dividends | – | – | – | – | (6,324) | (6,324) |
| Share-based payment transactions | – | – | – | 473 | – | 473 |
| **Total transactions with equity holders** | – | – | – | 473 | (6,324) | (5,851) |
| **As at 31 December 2012** | 3,519 | 252,574 | (8,580) | 1,663 | 29,643 | 278,819 |
| **Comprehensive income** | | | | | | |
| Loss for the year | **–** | **–** | **–** | **–** | **(3,546)** | **(3,546)** |
| Other comprehensive income | **–** | **–** | **–** | **–** | **–** | **–** |
| **Total comprehensive income** | **–** | **–** | **–** | **–** | **(3,546)** | **(3,546)** |
| **Transactions with equity holders** | | | | | | |
| Dividends | **–** | **–** | **–** | **–** | **(6,999)** | **(6,999)** |
| Share-based payment transactions | **–** | **–** | **–** | **403** | **–** | **403** |
| **Total transactions with equity holders** | **–** | **–** | **–** | **403** | **(6,999)** | **(6,596)** |
| **As at 31 December 2013** | **3,519** | **252,574** | **(8,580)** | **2,066** | **19,098** | **268,677** |

# Company Statement of Cash Flows

for the year ended 31 December 2013

| | Notes | 2013 €'000 | 2012 €'000 |
|---|---|---|---|
| **Operating activities** | | | |
| (Loss)/Profit for the year | | **(3,546)** | 9,746 |
| *Non-cash adjustments to reconcile profit before tax to net cash flows:* | | | |
| Share-based payment expense | | **47** | 61 |
| Impairment of investment in subsidiary | 37 | **–** | 1,100 |
| Movement in trade and other receivables | | **(31)** | (7,865) |
| Movement in trade and other payables | | **10,613** | (5,988) |
| **Net cash flows from operating activities** | | **7,083** | (2,946) |
| **Financing activities** | | | |
| Proceeds from disposal of investment in associate | 37 | **–** | 11,186 |
| Investments in subsidiaries | | **–** | (2,000) |
| Dividends paid to equity holders | | **(6,999)** | (6,324) |
| **Net cash flows from financing activities** | | **(6,999)** | 2,862 |
| **Net decrease in cash, cash equivalents and bank overdrafts** | | **84** | (84) |
| **Cash, cash equivalents and bank overdrafts at 1 January** | | **23** | 107 |
| **Cash, cash equivalents and bank overdrafts at 31 December** | 39 | **107** | 23 |

# Notes to the Company Financial Statements
for the year ended 31 December 2013

## 37. Investments

| | Investments in subsidiaries €'000 | Investments in joint ventures and associates €'000 | Total €'000 |
|---|---|---|---|
| Balance at 1 January 2012 | 246,486 | 12,036 | 258,522 |
| Investment in subsidiaries | 2,412 | – | 2,412 |
| Impairment of investment in subsidiary[a] | (1,100) | – | (1,100) |
| Disposal of investment in associate to other Group company[b] | – | (11,186) | (11,186) |
| **Balance at 31 December 2012** | **247,798** | **850** | **248,648** |
| Investment in subsidiaries | **356** | **–** | **356** |
| **Balance at 31 December 2013** | **248,154** | **850** | **249,004** |

The principal subsidiaries and joint ventures and associates are set out on pages 125 and 126.

(a) In 2012, the Company identified that the carrying value of an investment in a subsidiary exceeded its net recoverable value and accordingly an impairment charge of €1,100,000 was recognised in the Company's income statement for the year ended 31 December 2012. No such impairments arose in 2013.

(b) During 2012, the Company sold its investment in Capespan South Africa to another Group Company for its carrying value of €11,186,000.

## 38. Trade and Other Receivables

| | **2013 €'000** | 2012 €'000 |
|---|---|---|
| **Current** | | |
| Amounts due from subsidiaries | **33,333** | 33,302 |

The €33,333,000 (2012: €33,302,000) within trade and other receivables above relates entirely to amounts due from subsidiary undertakings. All are repayable on demand and there were no impairment provisions against these balances at year-end.

## 39. Cash and Cash Equivalents

| | **2013 €'000** | 2012 €'000 |
|---|---|---|
| Cash | **107** | 23 |

## 40. Trade and Other Payables

| | **2013 €'000** | 2012 €'000 |
|---|---|---|
| Amounts due to group undertakings | **13,260** | 2,490 |
| Accruals and deferred income | **507** | 664 |
| | **13,767** | 3,154 |

## 41. Related Party Transactions

The Company has a related party relationship with its subsidiaries, joint ventures and associates and with the Directors of the Company. Details of the remuneration of the Company's individual Directors, together with the number of Total Produce plc shares owned by them and their outstanding share options are set out in the Compensation Committee report on pages 47 to 52.

| | 2013 €'000 | 2012 €'000 |
|---|---|---|
| Dividends received from group undertakings | **250** | 14,215 |

## 42. Employee Benefits

The aggregate employee costs for the Company were as follows:

| | 2013 €'000 | 2012 €'000 |
|---|---|---|
| Wages and salaries | **2,317** | 2,091 |
| Social security contributions | **172** | 149 |
| Pension costs – defined benefit schemes | **112** | 100 |
| Share-based payment transactions | **47** | 61 |
| | **2,648** | 2,401 |

The average number of employees of the Company in 2013 was 9 (2012: 8).

## 43. Capital Commitments and Contingencies

The company has no capital commitments at 31 December 2013 (2012: €Nil).

Details in relation to contingencies and guarantees, including section 17 guarantees, are outlined in Note 29 of the Group Financial Statements on pages 109 and 110.

## 44. Statutory and Other Information

Auditors' remuneration

| | 2013 €'000 | 2012 €'000 |
|---|---|---|
| Audit services | **186** | 179 |
| Other non-audit services | **30** | 18 |

# Notes to the Company Financial Statements
for the year ended 31 December 2013 (Continued)

## 45. Financial Instruments and Financial Risk

| | Loans and receivables 2013 €'000 | Liabilities at amortised cost 2013 €'000 | Total 2013 €'000 | Fair value 2013 €'000 |
|---|---|---|---|---|
| Trade and other receivables | **33,333** | **–** | **33,333** | **33,333** |
| Cash and cash equivalents | **107** | **–** | **107** | **107** |
| | **33,440** | **–** | **33,440** | **33,440** |
| Trade and other payables | **–** | **13,767** | **13,767** | **13,767** |
| | **–** | **13,767** | **13,767** | **13,767** |

| | Loans and receivables 2012 €'000 | Liabilities at amortised cost 2012 €'000 | Total 2012 €'000 | Fair value 2012 €'000 |
|---|---|---|---|---|
| Trade and other receivables | 33,302 | – | 33,302 | 33,302 |
| Cash and cash equivalents | 23 | – | 23 | 23 |
| | 33,325 | – | 33,325 | 33,325 |
| Trade and other payables | – | 3,154 | 3,154 | 3,154 |
| | – | 3,154 | 3,154 | 3,154 |

The Company has the same risk exposures as those of the Group as outlined in Note 31.

The Group has availed of the exemption under IFRS 13 *Fair Value Measurement* for additional disclosures where fair value closely approximates carrying value.

### Credit Risk
The €33,333,000 (2012: €33,302,000) within trade and other receivables above relates entirely to amounts due from subsidiary undertakings. All are repayable on demand and there were no impairment provisions against these balances at year-end. The €107,000 (2012: €23,000) of cash and cash equivalents is managed in accordance with the overall Group credit risk policy as outlined in Note 31.

### Liquidity Risk
The €13,767,000 (2012: €3,154,000) within trade and other payables are all due for repayment within six months.

### Currency Risk
All financial assets and liabilities are denominated in Euro (the functional currency of the Company) and hence no currency risk is present at year-end.

## 46. Post Balance Sheet Events
There have been no significant events since year-end affecting the Company which would require disclosure or adjustment in the financial statements.

## 47. Approval of Financial Statements
The Directors approved these financial statements on 3 March 2014.

# Notice of the Annual General Meeting of Total Produce plc

Year ended 31 December 2013

NOTICE IS HEREBY GIVEN that the Annual General Meeting ('**AGM**') of Total Produce plc (the '**Company**') will be held at the Radisson SAS Royal Hotel, Golden Lane, Dublin 8 on Friday, 23 May 2014 at 10.30a.m. for the following purposes:

1. To receive and consider the Statements of Account for the year ended 31 December 2013 and the reports of the Directors and auditor thereon.
2. To confirm the interim dividend and declare a final dividend of 1.6632 cent per share on the ordinary shares for the year ended 31 December 2013.
3. By separate resolutions to re-elect as Directors the following in accordance with the Articles of Association and the UK Corporate Governance Code and, being eligible, offer themselves for re-election:
   (A) Carl McCann (Resolution 3(A)); and
   (B) Frank Gernon (Resolution 3(B)).
4. To authorise the directors to fix the remuneration of the auditor for the year ending 31 December 2014.

**As special business to consider and, if thought fit, pass the following resolutions:**

**5. As an Ordinary Resolution:**

"That the Directors are hereby unconditionally authorised to exercise all the powers of the Company to allot relevant securities (within the meaning of Section 20 of the Companies (Amendment) Act, 1983) up to an aggregate nominal amount of €1,173,622.44 (117,362,244 shares), representing approximately 33.3% of the nominal value of the issued share capital provided that this authority shall expire at the earlier of the close of business on the date of the next AGM after the passing of this resolution or 23 August 2015 provided however that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of such offer or agreement as if the authority hereby conferred had not expired."

**6. As a Special Resolution:**

"That pursuant to Article 8(d) of the Articles of Association and Section 24 of the Companies (Amendment) Act, 1983 the Directors are hereby empowered to allot equity securities (as defined by Section 23 of that Act) for cash pursuant to the authority to allot relevant securities conferred on the Directors by resolution 5 above in the notice of this meeting as if sub-section (1) of the said Section 23 did not apply to any such allotment provided that this power shall be limited to the matters provided for in Article 8(d)(i) and (ii) of the Articles of Association and provided further that the aggregate nominal value of any shares which may be allotted pursuant to Article 8(d)(ii) may not exceed €176,043.36 (17,604,336 shares) representing 5% of the nominal value of the issued share capital."

**7. As a Special Resolution:**

"That the Company and/or any subsidiary (as defined by Section 155 of the Companies Act, 1963) of the Company is hereby generally authorised to make market purchases (as defined by Section 212 of the Companies Act, 1990) of shares of any class in the Company ('**shares**') on such terms and conditions and in such manner as the Directors may determine from time to time but subject to the provisions of the Companies Act, 1990, and to the following restrictions and provisions:

(a) the maximum number of ordinary shares (as defined in the Articles of Association of the Company) authorised to be acquired pursuant to this resolution shall not exceed 35,208,673 (representing 10% of the issued share capital);

(b) the minimum price (excluding expenses) which may be paid for any share shall be an amount equal to the nominal value thereof;

(c) the maximum price (excluding expenses) which may be paid for any share (a '**relevant share**') shall be an amount equal to the greater of

(i) 105% of the average of the five amounts resulting from determining whichever of the following (A), (B) or (C) specified below in relation to the shares of the same class as the relevant share shall be appropriate for each of the five business days immediately preceding the day on which the relevant share is purchased, as determined from the information published in the Irish Stock Exchange Daily Official List reporting the business done on each of those five business days:

(A) if there shall be more than one dealing reported for the day, the average of the prices at which such dealings took place; or

(B) if there shall be only one dealing reported for the day, the price at which such dealing took place; or

(C) if there shall not be any dealing reported for the day, the average of the high and low market guide prices for that day;

and if there shall be only a high (but not a low) or a low (but not a high) market guide price reported, or if there shall not be any market guide price reported, for any particular day then that day shall not count as one of the said five business days for the purposes of determining the maximum price. If the means of providing the foregoing information as to dealings and prices by reference to which the maximum price is to be determined is altered or is replaced by some other means, then a maximum price shall be determined on the basis of the equivalent information published by the relevant authority in relation to dealings on the Irish Stock Exchange or its equivalent; and

(ii) the higher of the price quoted for:

(A) the last independent trade of; and

(B) the highest current independent bid or offer for, any number of Relevant Shares on the trading venue where the purchase pursuant to the authority conferred by this resolution will be carried out;

# Notice of the Annual General Meeting of Total Produce plc

Year ended 31 December 2013 (Continued)

(d) the authority hereby granted shall expire at the close of business on the date of the next AGM of the company or 23 August 2015, whichever is the earlier, unless previously varied, revoked or renewed by special resolution in accordance with the provisions of Section 215 of the Companies Act, 1990. The Company or any such subsidiary may, before such expiry, enter into a contract for the purchase of shares which would or might be executed wholly or partly after such expiry and may complete any such contract as if the authority conferred hereby had not expired."

**8. As a Special Resolution:**

"That, subject to the passing of resolution 7, for the purposes of Section 209 of the Companies Act, 1990, the reissue price range at which any treasury shares (as defined by the said Section 209) for the time being held by the Company may be reissued off-market shall be as follows:

(a) The maximum price at which a treasury share may be reissued off-market shall be an amount equal to 120 per cent of the 'appropriate price'; and

(b) the minimum price at which a treasury share may be re-issued off-market shall be the nominal value of the share where such a share is required to satisfy an obligation under an employee share scheme (as defined in the Companies (Amendment) Act 1983) operated by the Company or, in all other cases, an amount equal to 95% of the appropriate price.

For the purposes of this resolution the expression 'appropriate price' shall mean the average of the five amounts resulting from determining whichever of the following (i), (ii) or (iii) specified below in relation to shares of the class of which such treasury share is to be reissued shall be appropriate in respect of each of the five business days immediately preceding the day on which the treasury share is reissued, as determined from information published in the Irish Stock Exchange Daily Official List reporting the business done in each of those five business days:

(i) if there shall be more than one dealing reported for the day, the average of the prices at which such dealings took place; or

(ii) if there shall be only one dealing reported for the day, the price at which such dealing took place; or

(iii) if there shall not be any dealing reported for the day, the average of the high or low market guide prices for the day;

and if there shall be only a high (but not a low) or a low (but not a high) market guide price reported, or if there shall not be any market guide price reported, for any particular day then that day shall not count as one of the said five business days for the purposes of determining the appropriate price. If the means of providing the foregoing information as to dealings and prices by reference to which the appropriate price is to be determined is altered or is replaced by some other means, then the appropriate price shall be determined on the basis of the equivalent information published by the relevant authority in relation to dealings on the Irish Stock Exchange or its equivalent.

The authority hereby conferred shall expire at the close of business on the day of the next AGM of the company or 23 August 2015, whichever is the earlier, unless previously varied or renewed in accordance with the provisions of Section 209 of the Companies Act, 1990."

**M Reid**
**Secretary**
21 March 2014
Charles McCann Building,
Rampart Road, Dundalk, Co Louth, Ireland

**Notes:**

1. Any member entitled to attend and vote at the meeting is entitled to appoint a proxy (or proxies) to attend, speak and vote in his/her place. A proxy need not be a member of the Company. More than one proxy may be appointed provided that each proxy is appointed to exercise the rights attached to a different share or shares held by him. Completion of a form of proxy will not affect the right of a member to attend, speak and vote at the meeting in person.
2. To be valid, forms of proxy duly signed together with the power of attorney or such other authority (if any) under which they are signed (or a certified copy of such power or authority) must be lodged with the Company's registrar, Computershare Investor Services (Ireland) Limited, P.O. Box 954, Heron House, Corrig Road, Sandyford Industrial Estate, Dublin 18 by not later than 10.30a.m. on Wednesday, 21 May 2014. Alternatively, a proxy may be appointed electronically, by visiting the website of Computershare Investor Services (Ireland) Limited at www.computershare.ie. Shareholders will be asked to enter their shareholder identification number and PIN number and agreed to certain conditions. The shareholder identification number and PIN number can be found on the proxy form.
3. The Company, pursuant to Regulation 14 of the Companies Act, 1990 (Uncertified Securities) Regulations, 1996 (as amended) (the 'Crest Regulations'), specifies that only those shareholders registered in the register of members of the Company as at 6.00p.m. on Wednesday, 21 May 2014 (or in the case of an adjournment as at 48 hours before the time of the adjourned meeting) shall be entitled to attend and vote at the meeting in respect of the number of shares registered in their names at the time. Changes to entries in the register after that time will be disregarded in determining the right of any person to attend and/or vote at the meeting.
4. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the Meeting and any adjournment(s) thereof by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf. In order for a proxy appointment or instruction made using the

CREST service to be valid, the appropriate CREST Proxy Instruction must be properly authenticated in accordance with Euroclear (UK and Ireland) Limited ('EUI')'s specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by Computershare Investor Services (Ireland) Limited (ID 3RA50) by 10.30a.m. on Wednesday 21 May 2014. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which Computershare Investor Services (Ireland) Limited is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means. CREST members and, where applicable, their CREST sponsors or voting service providers should note that EUI does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the CREST Regulations.

5. As of 21 March 2014 (being the latest practicable date prior to the publication of this notice), the Company's issued share capital is 352,086,732 shares.
6. As of 21 March 2014 (being the latest practicable date prior to the publication of this notice), the outstanding share options issued by the Company would result in the issue of 10,910,000 new ordinary shares if such share options were to be exercised. Further the issue of all of these shares would represent approximately 3.01% of the enlarged equity or 3.33%, if the Company were to exercise in full the proposed authority being sought in resolution 7 above to purchase its own shares.
7. Biographical details for the Directors standing for re-election at the AGM are set out in the accompanying Annual Report. Each of the Directors has been subject to the evaluation process recommended by the UK Corporate Governance Code. On this basis, the Chairman and Board are pleased to recommend the re-election of those Directors.

# Shareholder and Other Information

Total Produce plc is an Irish registered company. Its ordinary shares are quoted on the Emerging Securities Market ('ESM') on the Irish Stock Exchange and on the Alternative Investments Market ('AIM') on the London Stock Exchange.

## Financial Calendar

| | |
|---|---|
| Record date for 2013 final dividend | 2 May 2014 |
| Annual General Meeting | 23 May 2014 |
| Payment date for 2013 final dividend | 27 May 2014 |
| 2014 interim results announcement | September 2014 |
| Interim dividend payment | October 2014 |
| Financial year-end | 31 December 2014 |
| 2014 preliminary results announcement | March 2015 |

## Share Price (Euro Cent)

| Year | High | Low | 31 December |
|---|---|---|---|
| 2013 | 86.8 | 56 | 82 |

## Investor Relations

Frank Davis
Group Finance Director
Total Produce plc
29 North Anne Street
Dublin 7, Ireland
Telephone: +353 1 887 2600
Fax: +353 1 887 2731
Email: fdavis@totalproduce.com

## Registrar

Administrative queries about holdings of Total Produce plc shares can be directed to the Company's registrar:
Computershare Investor Services (Ireland) Limited
P.O. Box 954, Heron House, Corrig Road
Sandyford Industrial Estate
Dublin 18, Ireland
Telephone: +353 1 216 3100
Fax: +353 1 216 3151
Email: webqueries@computershare.ie

## Website

Further information on the Total Produce Group is available at www.totalproduce.com

## Annual General Meeting

The Annual General Meeting of the Company will take place at the Radisson SAS Royal Hotel, Golden Lane, Dublin 8 on 23 May 2014 at 10.30a.m. Notice of this meeting is set out in pages 133 to 135 and a personalised proxy form is included in the mailing to the shareholders of this annual report.

## Amalgamation of Accounts

Shareholders receiving multiple copies of Company mailings as a result of a number of accounts being maintained in their name should write to the Company's Registrar, at the given address, to request that their accounts be amalgamated.

## Payments of Dividends

Shareholders may elect to have future dividends paid directly to a nominated bank account by completing the mandate form which accompanies each dividend payment or by writing to the Company's Registrar at the above address. Dividends are normally paid in Euro; however, for the convenience of shareholders with addresses in the United Kingdom, dividends are paid in Sterling unless requested otherwise.

FSC
www.fsc.org
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From responsible sources
FSC® C013684

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www.emperordesign.co.uk +44 (0)131 220 7990

Printed by Colorman (Ireland) Limited
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