

**Del Monte Foods Holdings Limited
and Subsidiaries**

Consolidated Financial Statements
April 29, 2018

and

Independent Auditor's Report



INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Del Monte Foods Holdings Limited
P.O. Box 957, Offshore Incorporation Centre
Road Town, Tortola
British Virgin Islands

Opinion

We have audited the consolidated financial statements of Del Monte Foods Holdings Limited and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at April 29, 2018 and April 30, 2017, and the consolidated income statements, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years ended April 29, 2018, April 30, 2017 and May 1, 2016, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at April 29, 2018 and April 30, 2017, and its consolidated financial performance and its consolidated cash flows for the years ended April 29, 2018, April 30, 2017 and May 1, 2016 in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audits in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

CyCip Gervas Velasco & Co.

Makati City, Philippines
July 13, 2018



DEL MONTE FOODS HOLDINGS LIMITED AND SUBSIDIARIES

Consolidated Statements of Financial Position

(In thousands of US dollars, except share and per share data)

	<i>Note</i>	April 29, 2018	April 30, 2017
ASSETS			
Noncurrent Assets			
Property, plant and equipment	5	\$406,878	\$464,701
Intangible assets and goodwill	7	701,765	728,121
Deferred tax assets	8	78,887	92,219
Other noncurrent assets	9	14,923	5,557
Total Noncurrent Assets		1,202,453	1,290,598
Current Assets			
Inventories	10	643,138	819,249
Trade and other receivables	11	87,728	90,593
Prepaid and other current assets	12	14,606	17,197
Cash	13	2,499	3,114
		747,971	930,153
Assets held for sale	14	5,504	-
Total Current Assets		753,475	930,153
Total Assets		\$1,955,928	\$2,220,751
EQUITY AND LIABILITIES			
Equity			
Common stock (\$1.00 par value, shares authorized: 50,000; issued and outstanding: 1)		\$ -	\$ -
Additional paid-in capital		705,000	705,000
Deficit		(222,477)	(112,381)
Reserves	15	18,661	(199)
Equity attributable to owners of the Company		501,184	592,420
Non-controlling interests	28	1,694	1,346
Total Equity		502,878	593,766
Noncurrent Liabilities			
Term loans	16	794,638	922,294
Employee benefits	18	76,902	87,599
Environmental remediation liabilities	20	144	6,198
Deferred tax liabilities	8	1,092	1,092
Derivative liabilities	19	1,803	8,442
Other non-current liabilities	17	29,632	32,830
Total Non-current Liabilities		904,211	1,058,455
Current Liabilities			
Loans and borrowings	16	10,250	169,114
Employee benefits	18	37,645	22,154
Trade and other payables	21	147,492	160,139
Derivative liabilities	19	3,260	9,531
Deferred income	22	13,926	346
Intercompany payables	35	336,023	207,018
Current tax liabilities		243	228
Total Current Liabilities		548,839	568,530
Total Liabilities		1,453,050	1,626,985
Total Equity and Liabilities		\$1,955,928	\$2,220,751

See Notes to the Consolidated Financial Statements.



DEL MONTE FOODS HOLDINGS LIMITED AND SUBSIDIARIES

Consolidated Income Statements

(In thousands of US dollars)

	<i>Note</i>	Years Ended		
		April 29, 2018	April 30, 2017	May 1, 2016
Net sales	22	\$1,654,226	\$1,696,457	\$1,778,002
Cost of sales	23	(1,405,393)	(1,404,241)	(1,456,290)
Gross profit		248,833	292,216	321,712
Distribution and selling expenses	23	(136,807)	(116,428)	(123,306)
General and administrative expenses	23	(153,454)	(145,618)	(131,225)
Transaction fees		-	-	(504)
Other income (expenses) - net	24	13,498	2,293	33,163
Income (Loss) from operations		(27,930)	32,463	99,840
Net finance expense	25	(79,421)	(80,822)	(71,693)
Profit (Loss) before taxation		(107,351)	(48,359)	28,147
Income tax expense – current	26	(730)	(1,005)	(1,544)
Income tax (expense) benefit – deferred	26	(2,015)	7,852	3,591
Profit (Loss)		(\$110,096)	(\$41,512)	\$30,194

See Notes to the Consolidated Financial Statements.



DEL MONTE FOODS HOLDINGS LIMITED AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

(In thousands of US dollars)

	<i>Note</i>	Years Ended		
		April 29, 2018	April 30, 2017	May 1, 2016
Profit (Loss)		(\$110,096)	(\$41,512)	\$30,194
Other comprehensive income (loss)				
Items that will not be reclassified to profit or loss:				
Re-measurement of retirement plans, net of a tax benefit (expense) of (\$7,219), (\$5,822) and \$7,279, respectively	18	13,626	12,646	7,774
Items that will or may be reclassified subsequently to profit or loss:				
Currency translation differences		3	(22)	16
Effective portion of changes in fair value of cash flow hedges:	19			
Interest rate swaps, net of tax benefit (expense) of (\$4,887), (\$2,062) and \$5,709, respectively		(1,298)	3,364	(9,315)
Foreign currency forwards – Peso, net of tax (expense) benefit of \$975, (\$415) and (\$860), respectively		(1,591)	677	1,615
Commodity swaps – Natural gas, net of tax benefit (expense) of \$11, (\$85) and \$116, respectively		(34)	139	(190)
Interest rate swaps - reclassification adjustments to profit or loss, net of tax expense of (\$197), (\$4,332) and (\$875), respectively	19	8,154	7,068	1,427
		5,234	11,226	(6,447)
Other comprehensive income (loss), net of tax		18,860	23,872	1,327
Total comprehensive income (loss)		(\$91,236)	(\$17,640)	\$31,521

See Notes to the Consolidated Financial Statements.



DEL MONTE FOODS HOLDINGS LIMITED AND SUBSIDIARIES

Consolidated Statement of Changes in Equity

For the year ended April 29, 2018

(In thousands of US dollars)

Attributable to Owners of the Company									
<i>Note</i>	Capital stock	Additional paid-in capital	Translation reserve	Re-measure- ment of retirement plans	Hedging reserve	Deficit	Total	Non- controlling Interests	Total equity
2018									
At May 1, 2017	\$ -	\$705,000	\$264	\$7,859	(\$8,322)	(\$112,381)	\$592,420	\$1,346	\$593,766
Total comprehensive income									
Loss for the year	-	-	-	-	-	(110,096)	(110,096)	-	(110,096)
Other comprehensive income									
Currency translation differences	-	-	3	-	-	-	3	-	3
Re-measurement of retirement plans	-	-	-	13,626	-	-	13,626	-	13,626
Cash flow hedges	-	-	-	-	5,231	-	5,231	-	5,231
Total other comprehensive income (loss)	-	-	3	13,626	5,231	-	18,860	-	18,860
Total comprehensive income (loss)	-	-	3	13,626	5,231	(110,096)	(91,236)	-	(91,236)
Transactions with owners of the Company									
Contributions and distributions									
Share-based expense	-	-	-	-	-	-	-	348	348
At April 29, 2018	\$ -	\$705,000	\$267	\$21,485	(\$3,091)	(\$222,477)	\$501,184	\$1,694	\$502,878

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DEL MONTE FOODS HOLDINGS LIMITED AND SUBSIDIARIES

Consolidated Statement of Changes in Equity (continued)

For the year ended April 30, 2017

(In thousands of US dollars)

<i>Note</i>	Attributable to Owners of the Company								Non-controlling Interests	Total equity
	Capital stock	Additional paid-in capital	Translation reserve	Re-measurement of retirement plans	Hedging reserve	Deficit	Total			
2017										
At May 2, 2016	\$ -	\$705,000	\$286	(\$4,787)	(\$19,570)	(\$70,869)	\$610,060	\$552	\$610,612	
Total comprehensive income										
Loss for the year	-	-	-	-	-	(41,512)	(41,512)	-	(41,512)	
Other comprehensive income										
Currency translation differences	-	-	(22)	-	-	-	(22)	-	(22)	
Re-measurement of retirement plans	-	-	-	12,646	-	-	12,646	-	12,646	
Cash flow hedges	-	-	-	-	11,248	-	11,248	-	11,248	
Total other comprehensive income (loss)	-	-	(22)	12,646	11,248	-	23,872	-	23,872	
Total comprehensive income (loss)	-	-	(22)	12,646	11,248	(41,512)	(17,640)	-	(17,640)	
Transactions with owners of the Company										
Contributions and distributions										
Share-based expense	-	-	-	-	-	-	-	794	794	
At April 30, 2017	\$ -	\$705,000	\$264	\$7,859	(\$8,322)	(\$112,381)	\$592,420	\$1,346	\$593,766	

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DEL MONTE FOODS HOLDINGS LIMITED AND SUBSIDIARIES

Consolidated Statement of Changes in Equity (continued)

For the year ended May 1, 2016

(In thousands of US dollars)

<i>Note</i>	Attributable to Owners of the Company						Total	Non-controlling Interests	Total equity
	Capital stock	Additional paid-in capital	Translation reserve	Re-measurement of retirement plans	Hedging reserve	Deficit			
2016									
At May 4, 2015	\$ -	\$705,000	\$270	(\$12,561)	(\$13,107)	(\$101,063)	\$578,539	\$ -	\$578,539
Total comprehensive income									
Profit for the year	-	-	-	-	-	30,194	30,194	-	30,194
Other comprehensive income									
Currency translation differences	-	-	16	-	-	-	16	-	16
Re-measurement of retirement plans	-	-	-	7,774	-	-	7,774	-	7,774
Cash flow hedges	-	-	-	-	(6,463)	-	(6,463)	-	(6,463)
Total other comprehensive income (loss)	-	-	16	7,774	(6,463)	-	1,327	-	1,327
Total comprehensive income (loss)	-	-	16	7,774	(6,463)	30,194	31,521	-	31,521
Transactions with owners of the Company									
Contributions and distributions									
Share-based expense	-	-	-	-	-	-	-	552	552
At May 1, 2016	\$ -	\$705,000	\$286	(\$4,787)	(\$19,570)	(\$70,869)	\$610,060	\$552	\$610,612

See Notes to the Consolidated Financial Statements.



DEL MONTE FOODS HOLDINGS LIMITED AND SUBSIDIARIES

Consolidated Statements of Cash Flows

(In thousands of US dollars)

	Note	Years Ended		
		April 29, 2018	April 30, 2017	May 1, 2016
Cash flows from operating activities				
Profit (Loss)		(\$110,096)	(\$41,512)	\$30,194
Adjustments for:				
Amortization of intangible assets	7	7,766	9,330	9,308
Depreciation of property, plant and equipment	5	47,250	37,949	47,662
Impairment losses on property, plant and equipment	5	24,672	-	5,000
(Gain) loss on disposal of assets		(11,281)	793	1,079
Gain on debt repurchase	24	(35,646)	-	-
Inventory write-downs	10	24,502	22,923	23,951
Share-based compensation expense	28	348	794	552
Defined benefit plan amendment	18	-	-	(40,716)
Net finance expense	25	79,421	80,822	71,693
Deferred income tax expense (benefit)	26	2,015	(7,852)	(3,591)
Cash flow hedges:				
Commodity hedge		(123)	(1,070)	1,887
Currency hedge		-	-	1,003
Interest rate swaps		970	1,903	2,302
		29,798	104,080	150,324
Changes in:				
Other assets		1,424	(4,276)	(1,825)
Inventories		148,731	(59,548)	(142,098)
Trade and other receivables		16,848	22,304	22,384
Trade and other payables		15,045	129,311	(104,982)
Deferred revenue		13,579	(45)	(829)
Other liabilities		8,416	(6,474)	60,524
Operating cash flows		233,841	185,352	(16,502)
Income taxes paid		(2,090)	(1,416)	(1,177)
Net cash flows provided by/(used in) operating activities		231,751	183,936	(17,679)
Cash flows from investing activities				
Proceeds from disposal of assets		41,167	2,109	3,719
Purchase of property, plant and equipment		(30,937)	(44,591)	(42,823)
Net cash flows provided by/(used in) investing activities		10,230	(42,482)	(39,104)
Cash flows from financing activities				
Interest paid		(74,759)	(74,962)	(60,992)
Proceeds from short-term borrowings	16	287,071	166,200	782,900
Payments of debt related costs	16	(4,515)	-	(1,029)
Payments on short-term borrowings	16	(445,071)	(223,642)	(656,458)
Payments on long-term borrowings	16	(5,325)	(7,100)	(7,100)
Net cash flows provided by/(used in) financing activities		(242,599)	(139,504)	57,321
Net increase/(decrease) in cash		(618)	1,950	538
Cash at beginning of year		3,114	1,186	564
Effect of exchange rate changes on balances held in foreign currency		3	(22)	84
Cash at end of year	13	\$2,499	\$3,114	\$1,186

See Notes to the Consolidated Financial Statements.



Notes to the Consolidated Financial Statements

These notes form an integral part of the financial statements.

These consolidated financial statements were approved and authorized for issuance by the Executive Officers on July 13, 2018.

1. Reporting entity

Del Monte Foods Holdings Limited (the “Company”) was incorporated in the British Virgin Islands on November 11, 2013. The Company is a wholly-owned subsidiary of DMPL Foods Limited, a subsidiary of Del Monte Pacific Limited (“DMPL”). DMPL was incorporated in the British Virgin Islands and is listed on the Singapore Exchange Securities Trading Limited and the Philippine Stock Exchange.

The registered office of the Company is located at P.O. Box 957, Offshore Incorporation Centre, Road Town, Tortola, British Virgin Islands.

These consolidated financial statements comprise the Company and its subsidiaries (together referred to as the “Group”).

The Group is one of the country’s largest producers, distributors and marketers of premium quality, branded food products for the United States (“US”) retail market. The majority of its products are sold nationwide in all channels serving retail markets, mass merchandisers, the US military, certain export markets, the foodservice industry and food processors. The Group sells products under the “*Del Monte*”, “*Contadina*”, “*College Inn*”, “*S&W*” and other brand names, as well as private label products, to key customers. The Group is one of the largest marketers of processed fruit, vegetables and tomatoes in the US.

The Company is separately liable under various full and unconditional guarantees of indebtedness of Del Monte Foods Inc. (“DMFI”), including under full and unconditional guarantees of DMFI’s Term Loan Credit Agreements and ABL Credit Agreement. DMFI and DMFI’s subsidiaries are subject to limitations on their ability to make loans, advances, dividends and distributions to the Company under the covenants governing DMFI’s Term Loan Credit Agreements and ABL Credit Agreement. For a description of DMFI’s Credit Agreements, see Note 16.

2. Basis of preparation

2.1 Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”).

The Group operates on a 52 or 53-week fiscal year ending on the Sunday closest to April 30. Fiscal 2018, 2017 and 2016 were 52-week years.



2.2 Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following items, which are measured on an alternative basis at each reporting date.

Items	Measurement bases
Derivative financial instruments	Fair value
Net defined benefit (asset) liability	Fair value of plan assets less the present value of the defined benefit obligation
Equity-settled share-based compensation	Fair value at grant date, recognized over the vesting period
Assets held for sale	Fair value, less costs to sell

2.3 Functional and presentation currency

These consolidated financial statements are presented in United States (“US”) dollars, which is the Group’s functional currency. All financial information presented in US dollars have been rounded to the nearest thousand, unless otherwise stated.

2.4 Use of estimates and judgments

The preparation of the consolidated financial statements in conformity with IFRS 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.

Judgments

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the consolidated financial statements are included in the following notes:

- Note 6 – Deconsolidation of Del Monte Andina C.A.
- Note 7 – Assessment of intangible assets with indefinite useful life
- Note 33 – Lease classification
- Note 34 – Contingencies

Estimates and underlying assumptions

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.



Information about assumptions and estimation uncertainties that have a significant risk resulting in a material adjustment within the next financial year are included in the following notes:

- Notes 4 and 5 – Impairment of property, plant and equipment
- Note 5 – Useful life of property, plant and equipment
- Note 7 – Useful life of intangible assets and impairment of intangible assets and goodwill
- Note 8 – Realizability of deferred tax assets
- Note 10 – Allowance for inventory obsolescence and net realizable value
- Note 11 – Impairment of trade receivables
- Note 18 – Measurement of employee benefit obligations
- Note 20 – Estimation of environmental remediation liabilities
- Note 26 – Measurement of income taxes
- Note 32 – Determination of fair values
- Note 34 – Provisions and contingencies

2.5 Measurement of fair value

Fair value is 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. The fair value is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or in the most advantageous market for the asset or liability. The principal or most advantageous market must be accessible to the Group.

The fair value of an asset or liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: unobservable inputs for the asset or liability.

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.



3. Significant accounting policies

The accounting policies set out below have been applied by the Group consistently to all periods presented in these consolidated financial statements.

3.1 Changes in accounting policies

Adoption of new standards, amendments to standards and interpretations

The Group has adopted all the new standards, amendments to standards, including any consequential amendments to other standards, and interpretations effective for annual periods beginning on or after January 1, 2017. The adoption of these new standards, amendments to standards, and interpretations has no significant impact to the Group. The relevant amendments to standards adopted by the Group starting May 1, 2017 include the following:

- *Disclosure initiative (Amendments to IAS 7 Statement of Cash Flows)*. The amendments address financial statements users' requests for improved disclosures about an entity's net debt relevant to understanding an entity's cash flows. The amendments require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. See Note 16 for the reconciliation between the opening and closing balances for liabilities arising from financing activities for the current year.
- *Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to IAS 12 Income Taxes)*. The amendments clarify that:
 - the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset;
 - the calculation of future taxable profit in evaluating whether sufficient taxable profit will be available in future periods excludes tax deductions resulting from the reversal of the deductible temporary differences;
 - the estimate of probable future taxable profit may include the recovery of some of an entity's assets for more than their carrying amount if there is sufficient evidence that it is probable that the entity will achieve this; and
 - an entity assesses a deductible temporary difference related to unrealized losses in combination with all of its other deductible temporary differences, unless a tax law restricts the utilization of losses to deduction against income of a specific type.
- *Annual Improvements to IFRSs 2014 – 2016 Cycle*. This cycle of improvements contains amendments to three standards. The following are the relevant amendments effective for annual periods beginning on or after January 1, 2017:
 - *Clarification of the scope of the standard (Amendments to IFRS 12 Disclosure of Interests in Other Entities)*. The amendments clarify that the disclosure requirements for interests in other entities also apply to interests that are classified as held for sale or distribution.



3.2 Basis of consolidation

(i) Business combination

Business combinations are accounted for using the acquisition method in accordance with IFRS 3 *Business Combinations* as of the acquisition date, which is the date on which control is transferred to the Group. The Group measures goodwill at the acquisition date, as the fair value of consideration transferred; plus the amount recognized for any non-controlling interests in the acquiree over the net amount (generally fair value) of the identifiable assets acquired and liabilities assumed. When the excess is negative, a bargain purchase gain is recognized immediately in the income statement.

Costs related to the acquisition, other than those associated with the issuance of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

If the initial accounting for a business combination is incomplete by the end of the reporting period it occurs, provisional amounts for the items for which the accounting is incomplete is reported in the consolidated financial statements. During the measurement period, which is not more than one year from acquisition date, the provisional amounts recognized are retrospectively adjusted, and any additional assets or liabilities recognized, to reflect new information obtained about facts and circumstances that existed as of the acquisition date. Comparative information for prior periods are revised, as needed.

(ii) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The accounting policies of subsidiaries are aligned with the policies adopted by the Group. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

See Note 6 for the details of the Company's subsidiaries.

(iii) Non-controlling interests

Non-controlling interests (NCI) that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation are measured either at fair value or at the NCI's proportionate share of the recognized amounts of the acquiree's identifiable net assets, at the acquisition date. The measurement basis taken is elected on a transaction-by-transaction basis. All other NCI are measured at acquisition-date fair value unless another measurement is required by another standard.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. NCI include increases in equity attributable to the grant of subsidiaries' equity instruments to counterparties who are not part of the Group, in equity-settled share-based expense transactions (see Note 28).



(iv) Loss of control

When the Group loses control over a subsidiary, it derecognizes the assets and liabilities of the subsidiary, and any related non-controlling interest and other components of equity. Any resulting gain or loss is recognized in the income statement. Any interest retained in the former subsidiary is measured at fair value when control is lost.

The Group does not consolidate its Del Monte Andina C.A. subsidiary located in Venezuela due to the lack of effective control (see Note 6).

(v) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealized income or expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

3.3 Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Group's entities at the exchange rate at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortized cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on retranslation are recognized in the income statement, except for differences which are recognized in Other Comprehensive Income (OCI) arising on the retranslation of qualifying cash flow hedges to the extent the hedge is effective.

Foreign currency gains and losses on financial assets and financial liabilities are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.



(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to US dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated to US dollars using monthly average rates.

Foreign currency differences are recognized in OCI and presented in the foreign currency translation reserve (translation reserve) in equity. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to the consolidated income statement as part of the gain or loss on disposal.

3.4 Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the assets to a working condition for their intended use, an estimate of the costs of dismantling and removing the items and restoring the site on which they are located when the Group has an obligation to remove the asset or restore the site, and capitalized borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the net proceeds from disposal with the carrying amount of the item, and is recognized net within other income (expenses) in the income statement. See Note 3.6 for the accounting policy for impairment.

(ii) Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced component is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in the income statement as incurred.

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.



Depreciation is recognized in the income statement on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment, unless it is included in the carrying amount of another asset. Leasehold improvements are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Freehold land is not depreciated.

Depreciation is recognized from the date that the property, plant and equipment are installed and are ready for use, and for internally constructed assets, from the date that the asset is completed and ready for use.

The estimated useful lives for the current year and comparative years are as follows:

Buildings, land improvements and leasehold improvements	-	3 to 45 years
Machinery and equipment	-	5 to 15 years
Computers and software	-	3 to 13 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

3.5 Intangible assets and goodwill

(i) Goodwill

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets and is not amortized (See Note 3.2 and Note 7). Goodwill is assessed for impairment annually (See Note 3.6).

(ii) Indefinite-life Intangible Assets

Intangible assets with indefinite useful lives are not amortized and are subject to an annual impairment evaluation (See Note 3.6).

(iii) Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognized in the income statement as incurred. Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalized 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. Other development expenditure is recognized in the income statement as incurred. The Group has not incurred capitalizable research and development expenditures during fiscal 2018, 2017 and 2016.

(iv) Other intangible assets

Other intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortization and accumulated impairment losses, if any.



(v) Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in the income statement as incurred.

(vi) Amortization

Amortization is calculated based on the cost of the asset less its residual value, if any. Amortization is recognized in the consolidated income statement on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use. The estimated useful lives are as follows:

Trademarks	-	10 to 20 years
Customer relationships	-	20 years

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

3.6 Impairment of Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives, the recoverable amount is estimated each year at the same time. An impairment loss is recognized if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value-in-use (VIU) and its fair value less costs of disposal. In assessing VIU, 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 or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU. The Group currently has one CGU. Accordingly, for the annual impairment test, goodwill acquired in a business combination is allocated to this CGU.

Impairment losses are recognized in the income statement. Impairment losses recognized with respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a *pro rata* basis.

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

When conducting the annual impairment test for goodwill, the Group compares the carrying amount of the CGU containing goodwill to its recoverable amount. The recoverable amount is the greater of the amounts computed using two approaches: the VIU approach, which is the



present value of expected cash flows, discounted at a risk adjusted weighted average cost of capital; and the fair value less costs of disposal approach, which is based on the Market Approach, which use market multiples of companies in similar lines of business (see Note 7).

Intangible assets with indefinite lives are components of the CGU containing goodwill and the impairment assessment is as described above.

3.7 Inventories

Inventories are measured at the lower of cost and net realizable value.

The Group uses a standard costing system to account for inventories. The cost of inventories is based on the first-in, first-out principle. Cost of processed inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. The costs of conversion include raw materials, direct labor, certain freight and warehousing cost, and indirect production and overhead costs.

A systematic allocation is made of fixed and variable production overheads that are incurred in converting materials into finished goods. The allocation of fixed production overheads is based on the normal capacity of the production facilities. Normal capacity is the production levels expected to be achieved, on average for the periods or seasons under normal circumstances, taking into account the seasonal business cycle of the Group.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

3.8 Financial instruments

(i) The Group classifies non-derivative financial assets into the following categories: financial assets at fair value through profit or loss (FVPL), held-to-maturity (HTM) financial assets, loans and receivables and available-for-sale (AFS) financial assets. The Group classifies non-derivative financial liabilities into the following categories: financial liabilities at FVPL and other financial liabilities. The classification depends on the purpose for which the instruments were acquired and whether they are quoted in an active market. Classification is determined at initial recognition and, where allowed and appropriate, re-evaluated at every reporting date. The Group has no financial assets and liabilities at FVPL, HTM financial assets, and AFS financial assets as of April 29, 2018 and April 30, 2017.

(ii) Non-derivative financial assets

Loans and receivables

Loans and receivables comprise trade and other receivables, and note receivable. The Group initially recognizes loans and receivables on the date that they are originated. All other financial assets are recognized initially on the transaction date, which is the date that the Group becomes a party to the contractual provisions of the instrument. Loans and receivables are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses. The Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the



contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in transferred financial assets that is created or retained by the Group is recognized as a separate asset or liability. Financial assets and liabilities are offset and the net amount presented in the statement of financial position when the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Loans and receivables are assessed at each reporting date to determine whether there is objective evidence that it is impaired. Objective evidence that financial assets are impaired may include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers in the Group, or economic conditions that correlate with defaults.

The Group considers evidence of impairment for loans and receivables at both a specific asset and collective level. All individually significant loans and receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and receivables that are not individually significant are collectively assessed for impairment by grouping together loans and receivables with similar risk characteristics.

In assessing collective impairment, the Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in the income statement and reflected in an allowance account against loans and receivables. When the Group considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, then the previously recognized impairment loss is reversed through the income statement.

Cash and Cash equivalents

Cash and cash equivalents comprise bank balances.

(iii) Non-derivative financial liabilities

Non-derivative financial liabilities comprise bank loans, and trade, intercompany and other payables. Financial liabilities are recognized initially on the date that the Group becomes a party to the contractual provisions of the instrument. The Group derecognizes a financial liability when its contractual obligations are discharged, cancelled or expired. Repurchases of a portion of a financial liability result in the allocation of the original carrying value of the financial liability between the portion that continues to be recognized and the portion that was repurchased based on the relative fair values on the date of the repurchase. Financial assets and liabilities are offset and the net amount presented in the statement of financial position when the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and



settle the liability simultaneously. Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

(iv) Derivative financial instruments, including hedge accounting

The Group uses derivative financial instruments for the purpose of managing risks associated with interest rates, currencies, transportation and certain commodities (see Note 19). The Group does not trade or use instruments with the objective of earning financial gains on fluctuations in the derivative instrument alone, nor does it use instruments where there are no underlying exposures. All derivative instruments are recorded in the statement of financial position at fair value. The accounting for changes in the fair value (i.e., gains or losses) of a derivative instrument depends on whether the instrument has been designated and qualifies as part of a hedging relationship and further, on the type of hedging relationship. For those derivative instruments that are designated and qualify as hedging instruments, the Group designates the hedging instrument as a fair value hedge, cash flow hedge, or a hedge of a net investment in a foreign operation based upon the exposure being hedged.

On initial designation of the derivative as the hedging instrument, the Group formally documents the relationship between the hedging instrument and the hedged item, including the risk management objectives and strategy in undertaking the hedge transaction and the hedged risk, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Group makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, of whether the hedging instruments are expected to be 'highly effective' in offsetting the changes in the fair value or cash flows of the respective hedged items attributable to the hedged risk, and whether the actual results of each hedge are within a range of 80 - 125%. For a cash flow hedge of a forecast transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that could ultimately affect reported profit or loss.

Derivatives are recognized initially at fair value; any directly attributable transaction costs are recognized in the income statement as they are incurred. Subsequent to initial recognition, derivatives are measured at fair value. Changes therein are recognized in OCI, generally for derivatives designated as effective hedges, or the income statement, for other derivatives.

Cash flow hedges

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognized in OCI and accumulated in the hedging reserve. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in the income statement.

The amount accumulated in equity is retained in OCI and reclassified to the consolidated income statement in the same period or periods during which the hedged item affects the consolidated income statement.

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 amount accumulated in equity is reclassified to the income statement.



(v) Equity

Common stock

Common stock is classified as equity. Holders of these shares are entitled to dividends when declared and are entitled to one vote per share at general meetings of the Company. Incremental costs directly attributable to the issue of ordinary shares and share options are recognized as a deduction from equity, net of any tax effects.

Additional paid-in capital

Additional paid-in capital represents the excess of consideration received over the par value of common stock.

Retained earnings (Deficit)

Retained earnings (Deficit) represents the cumulative balance of periodic net income or loss, dividend distributions, effect of changes in accounting policy and other capital adjustments. No dividends have been declared by the Group during fiscal 2018, 2017 and 2016.

3.9 Prepaid expenses

Prepaid expenses are expenses not yet incurred but already paid by the Group. Prepaid expenses are initially recorded as assets and measured at the amount paid. Subsequently, these are recognized in the consolidated income statement as they are consumed in operations or expire with the passage of time.

3.10 Assets held for sale

Assets held for sale are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use. Such assets are measured at the lower of their carrying amount and fair value less cost to sell. Impairment losses on initial classification as held-for-sale and subsequent gains and losses on re-measurement are recognized in the income statement. Once classified as held-for-sale, property, plant and equipment are no longer depreciated. If it is no longer highly probable that an asset will be recovered primarily through sale, the asset ceases to be classified as held-for-sale and is measured at the lower of its carrying amount before the asset was classified as held-for-sale adjusted for any depreciation that would have been recognized had the asset not been reclassified as held for sale and its recoverable amount at the date of the subsequent reclassification. The required adjustment to the carrying amount of an asset that ceases to be classified as held-for-sale is included in the consolidated income statement. The Group classified certain assets in Plymouth, Indiana and Siloam Springs, Arkansas as held-for-sale as of April 29, 2018 (see Note 14). The Group did not have any assets held for sale as of April 30, 2017.



3.11 Leased assets

Leases in terms of which the Group does not assume substantially all the risks and rewards of ownership are classified as operating leases. Operating leases are not recognized in the Group's statement of financial position. Rent expense is being recognized on a straight-line basis over the life of the lease. The difference between rent expense recognized and rental payments, as stipulated in the lease, is reflected as prepaid rent or accrued lease liability in the statements of financial position. Lease incentives received are recognized as an integral part of the total lease expenses, over the term of the lease. Leases where substantially all the risks and rewards of ownership are assumed are finance leases. The Group does not have finance leases as of April 29, 2018 and April 30, 2017.

3.12 Employee benefits

(i) Defined contribution plans

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

(ii) Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans. The Group has a defined benefit qualified retirement plan requiring contributions to be made to separately administered funds. The Group also has various other non-qualified retirement plans and supplemental retirement plans for executives, designed to provide benefits in excess of those otherwise permitted under the Group's qualified retirement plans. These plans are unfunded and comply with Internal Revenue Service (IRS) rules for non-qualified plans (see Note 18).

The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Group, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements that apply to any plan in the Group. An economic benefit is available to the Group if it is realizable during the life of the plan, or on settlement of the plan liabilities.



Remeasurements of the net defined benefit liability comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest). The Group recognizes them immediately in other comprehensive income and all expenses related to defined benefit plans in staff cost in the consolidated income statement.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in the consolidated income statement.

When the plan amendment or curtailment occurs, the Group recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs. The gain or loss on settlement is the difference between the present value of the defined benefit obligation being settled as determined on the date of settlement and the settlement price, including any plan assets transferred and any payments made directly by the Group in connection with the settlement. In fiscal 2016, a plan amendment was implemented for certain medical and dental benefits (see Note 18).

(iii) Multi-employer plans

The Group participates in several multi-employer pension plans, which provide defined benefits to certain union employees. The Group accounts for its proportionate share of the defined benefit obligation, plan assets and cost associated with the plan in the same way as a defined contribution plans, as sufficient information is not available to apply defined benefit accounting principles.

(iv) Other long-term employee benefits

The Group's net obligation in respect of long-term employee benefits other than post-employment benefit plans is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value, and the fair value of any related assets is deducted. The calculation is performed using the projected unit credit method. Any actuarial gains and losses are recognized in the income statement in the period in which they arise. Other long-term employee benefits include the Group's long-term executive cash incentive awards (see Note 28).

(v) Termination benefits

Termination benefits are recognized as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits are recognized as an expense once the Group has announced the plan to affected employees.

(vi) Short-term employee benefits

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



(vii) Equity-settled share-based payment transactions

The Group grants share options for the shares of a subsidiary to employees of the Group. The fair value of incentives granted is recognized as an employee benefit expense with a corresponding increase in equity. The fair value, measured at grant date, is recognized over the vesting period during which the employees become unconditionally entitled to the options. At each reporting date, the Group revises its estimates of the number of options that are expected to become exercisable. It recognizes the impact of the revision of original estimates in employee benefit expense and as a corresponding adjustment to equity over the remaining vesting period.

3.13 Provisions

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

(i) Environment remediation liabilities

In accordance with the Group's environment policy and applicable legal requirements, a provision for environmental remediation obligations and the related expense, is recognized when such losses are probable and the amounts of such losses can be estimated reliably. Accruals for estimated losses for environmental remediation obligations are recognized no later than the completion of the remedial feasibility study. These accruals are adjusted as further information develops or circumstances change.

(ii) Retained insurance liabilities

The Group accrues for retained insurance risks associated with the deductible portion of any potential liabilities that might arise out of claims of employees, customers or other third parties for personal injury or property damage occurring in the course of the Group's operations. A third-party actuary is engaged to assist the Group in estimating the ultimate cost of certain retained insurance risks. Additionally, the Group's estimate of retained insurance liabilities is subject to change as new events or circumstances develop which might materially impact the ultimate cost to settle these losses.

(iii) Coupon redemption

The Group accrues coupon redemption costs in the period in which the coupons are offered based on estimates of redemption rates that are developed by management. Management's estimates are based on recommendations from independent coupon redemption clearing-houses as well as historical information. Should actual redemption rates vary from amounts estimated, adjustments to liabilities may be required. Coupon redemption costs are recorded as a reduction to gross sales.



(iv) Trade promotions

Accruals for trade promotions are recorded primarily at the time a product is sold to the customer based on expected levels of performance. Settlement of these liabilities typically occurs in subsequent periods primarily through an off-invoice allowance at the time of sale or through an authorized process for deductions taken by a customer from amounts otherwise due to the Group. Deductions are offset against related trade promotion accruals. Evaluations of the trade promotion liability are performed monthly and adjustments are made where appropriate to reflect changes in the Group's estimates. Trade spending is recorded as a reduction to gross sales.

3.14 Revenue recognition

Sales of goods

Revenue from the sale of goods in the course of ordinary activities is recognized when the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. The timing of transfers of risks and rewards varies depending on the individual terms of the contract of sale but usually occurs when the customer receives the product.

Revenue is measured at the fair value of the consideration received or receivable, net of customer returns, consumer promotion costs relating to coupon redemption, trade promotions, performance allowances, customer pick-up allowances and discounts. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognized as a reduction of revenue as the sales are recognized. The Group's customers generally do not have the right to return products unless damaged or defective.

Deferred revenue is recognized by the Group for consideration received or due from customers before the related revenue qualifies for recognition – e.g. receipt of payment in advance of the delivery of goods.

3.15 Cost and expense recognition

Costs and expenses are recognized upon receipt of goods, utilization of services or at the date they are incurred. Cost of sales is recognized when the related goods are sold.

Expenses are also recognized in the consolidated income statement when a decrease in future economic benefit related to a decrease in an asset or an increase in a liability that can be measured reliably has arisen. Expenses are recognized in the consolidated statements of income on the basis of a direct association between costs incurred and the earning of specific items of income; on the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association can only be broadly or indirectly determined; or immediately when an expenditure produces no future economic benefits or when, and to the extent that future economic benefits do not qualify, or cease to qualify, for recognition in the consolidated statements of financial position as an asset.



3.16 Net finance expense

Finance expense comprises interest expense on borrowings. All borrowing costs are recognized in the consolidated income statement using the effective interest method, except to the extent that they are capitalized as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to be prepared for its intended use or sale.

3.17 Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax is recognized in the consolidated income statement except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

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

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries and joint ventures to the extent that the Group is able to control the timing of the reversal of the temporary difference and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

The measurement of deferred taxes reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.



In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Group to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

3.18 New standards and interpretations issued but not yet adopted

A number of new standards and amendments to standards are effective for annual periods beginning after May 1, 2017. The Group has not applied the following new or amended standards in preparing these financial statements and plans to adopt them on the respective effective dates. Unless otherwise stated, none of these are expected to have a significant impact on the Group's financial statements.

Effective for annual periods beginning on or after January 1, 2018

- *IFRS 9 Financial Instruments (2014)*. IFRS 9 (2014) replaces IAS 39 *Financial Instruments: Recognition and Measurement* and supersedes the previously published versions of IFRS 9 that introduced new classifications and measurement requirements (in 2009 and 2010) and a new hedge accounting model (in 2013). IFRS 9 includes revised guidance on the classification and measurement of financial assets, including a new expected credit loss model for calculating impairment, guidance on own credit risk on financial liabilities measured at fair value and supplements the new general hedge accounting requirements published in 2013. IFRS 9 incorporates new hedge accounting requirements that represent a major overhaul of hedge accounting and introduces significant improvements by aligning the accounting more closely with risk management. The new standard is to be generally applied retrospectively for annual periods beginning on or after January 1, 2018, subject to certain exemptions provided by the standard. The Group is still determining the optimal transition approach to adopting IFRS 9. The assessments made by the Group in the succeeding section are preliminary and incomplete, and therefore may be subject to change.

Classification – Financial assets

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. It contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). It eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale.

Based on its assessment, the Group does not believe that the new classification requirements will have a material impact on its accounting for trade and other receivables, and notes receivable which are expected to be similarly accounted for as at amortized cost.

Impairment

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' (ECL) model. This will require considerable judgment about how changes in economic



factors affect ECLs, which will be determined on a probability-weighted basis. The new impairment model will apply to the Group's financial assets measured at amortized cost and any contract assets recognized under IFRS 15 *Revenue from Contracts with Customers*.

Under IFRS 9, loss allowances will be measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Lifetime ECL measurement applies if credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not. Lifetime ECL measurement always applies for trade receivables and contract assets without a significant financing component.

The Group is still assessing and has not yet reasonably estimated the quantitative impact on its financial statements resulting from the new impairment requirements of IFRS 9.

Hedge Accounting

When initially applying IFRS 9, there is an accounting policy choice to continue to apply the hedge accounting requirements of IAS 39 instead of the requirements in IFRS 9. The Group expects to apply the new requirements of IFRS 9.

IFRS 9 requires the Group to ensure that hedge accounting relationships are aligned with the Group's risk management objectives and strategy and to apply a more qualitative and forward-looking approach to assessing hedge effectiveness. IFRS 9 also introduces new requirements on rebalancing hedge relationships and prohibiting voluntary discontinuation of hedge accounting. Under the new model, it is possible that more risk management strategies, particularly those involving a risk component (other than foreign currency risk) of a non-financial item, will be likely to qualify for hedge accounting.

Under IAS 39, for all cash flow hedges, the amounts accumulated in the cash flow hedging reserve are reclassified to profit or loss as a reclassification adjustment in the same period as the hedged expected cash flows affect profit or loss. However, under IFRS 9, for cash flow hedges associated with forecast non-financial asset purchases, the amounts accumulated in the cash flow hedging reserve will instead be included directly in the initial cost of the non-financial asset when it is recognized.

The types of hedge accounting relationships that the Group currently designates are expected to meet the requirements of IFRS 9 and are aligned with the entity's risk management strategy and objective.

The Group is still assessing and has not yet reasonably estimated the quantitative impact on its financial statements resulting from the new hedge accounting requirements of IFRS 9.

- *IFRS 15 Revenue from Contracts with Customers* replaces IAS 11 *Construction Contracts*, IAS 18 *Revenue*, IFRIC 13 *Customer Loyalty Programmes*, IFRIC 15 *Agreements for the Construction of Real Estate*, IFRIC 18 *Transfer of Assets from Customers* and SIC-31 *Revenue – Barter Transactions Involving Advertising Services*. The new standard introduces a new and more comprehensive revenue recognition model for contracts with customers



which specifies that revenue should be recognized when (or as) a company transfers control of goods or services to a customer at the amount to which the company expects to be entitled.

IFRS 15 requires a contract with a customer to be legally enforceable and to meet certain criteria to be within the scope of the standard and for the general model to apply. It introduces detailed guidance on identifying performance obligations which requires entities to determine whether promised goods or services are distinct. It also introduces detailed guidance on determining transaction price, including guidance on variable consideration and consideration payable to customers. The transaction price will then be generally allocated to each performance obligation in proportion to its stand-alone selling price. Depending on whether certain criteria are met, revenue is recognized over time, in a manner that best reflects the company's performance, or at a point in time, when control of the goods or services is transferred to the customer.

The standard does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other IFRSs. It also does not apply if two companies in the same line of business exchange non-monetary assets to facilitate sales to other parties. Furthermore, if a contract with a customer is partly in the scope of another IFRS, then the guidance on separation and measurement contained in the other IFRS takes precedence.

The Group plans to adopt the standard retrospectively in the first quarter of fiscal 2019 with the cumulative effect of initially applying it recognized at the date of initial application ("cumulative effect method"). The Group has completed its assessment and no material impact to the financial statements is expected on the adoption of IFRS 15.

- *IFRIC-22 Foreign Currency Transactions and Advance Consideration.* The interpretation clarifies that the transaction date to be used for translation for foreign currency transactions involving an advance payment or receipt is the date on which the entity initially recognizes the prepayment or deferred income arising from the advance consideration. For transactions involving multiple payments or receipts, each payment or receipt gives rise to a separate transaction date. The interpretation applies when an entity pays or receives consideration in a foreign currency and recognizes a non-monetary asset or liability before recognizing the related item.

The interpretation is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted, and can be applied retrospectively or prospectively.

Effective for the first annual reporting period that begins on or after January 1, 2019

- *IFRS 16 Leases* supersedes *IAS 17 Leases* and the related interpretations. The new standard introduces a single lease accounting model for lessees under which all major leases are recognized in the statement of financial position, removing the lease classification test. Lease accounting for lessors essentially remains unchanged except for a number of details including the application of the new lease definition, new sale-and-leaseback guidance, new sub-lease guidance and new disclosure requirements. Practical expedients and targeted reliefs were introduced including an optional lessee exemption for short-term leases (leases with a term of 12 months or less) and low-value items, as well as the permission of portfolio-level accounting instead of applying the requirements to individual leases. New estimates and judgmental thresholds that affect the identification, classification and measurement of lease transactions, as well as requirements to reassess certain key estimates and judgments at each reporting date were introduced.



The new standard is to be applied retrospectively for annual periods beginning on or after January 1, 2019. Early application is permitted for entities that apply IFRS 15 at or before the date of initial application of IFRS 16. The Group is assessing the potential impact on its financial statements resulting from the application of IFRS 16.

- *IFRIC-23 Uncertainty over Income Tax Treatments* clarifies how to apply the recognition and measurement requirements in IAS 12 *Income Taxes* when there is uncertainty over income tax treatments. Under the interpretation, whether the amounts recorded in the financial statements will differ to that in the tax return, and whether the uncertainty is disclosed or reflected in the measurement, depends on whether it is probable that the tax authority will accept the entity's chosen tax treatment. If it is not probable that the tax authority will accept the entity's chosen tax treatment, the uncertainty is reflected using the measure that provides the better prediction of the resolution of the uncertainty – either the most likely amount or the expected value. The interpretation also requires the reassessment of judgments and estimates applied if facts and circumstances change – e.g. as a result of examination or action by tax authorities, following changes in tax rules or when a tax authority's right to challenge a treatment expires.

The interpretation is effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted.

- *Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)*. The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, a company now uses updated actuarial assumptions to determine its current service cost and net interest for the period and the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income.

The amendments apply for plan amendments, curtailments or settlements that occur on or after the beginning of the first annual reporting period that begins on or after January 1, 2019. Earlier application is permitted.

- *Annual Improvements to IFRSs 2015-2017 Cycle*. This cycle of improvements contains amendments to four standards. The following are the amendments relevant to the Group:
 - *Income tax consequences of payments on financial instruments classified as equity (Amendments to IAS 12 Income Taxes)*. The amendments clarify that all income tax consequences of dividends, including payments on financial instruments classified as equity, are recognized consistently with the transactions that generated the distributable profits – i.e. in profit or loss, OCI or equity.

The amendments are effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted. When an entity first applies those amendments, it shall apply them to the income tax consequences of dividends recognized on or after the beginning of the earliest comparative period.

- *Borrowing costs eligible for capitalization (Amendments to IAS 23 Borrowing Costs)*. The amendments clarify that the general borrowings pool used to calculate eligible borrowing costs excludes only borrowings that specifically finance qualifying assets that are still under development or construction. Borrowings that were intended to specifically finance qualifying assets that are now ready for their intended use or sale – are included in that general pool.



The amendments are effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted.

4. Sale of business

Sager Creek

On September 18, 2017, the Group entered into an agreement with McCall Farms Inc. (“McCall Farms”) to sell certain assets of its Sager Creek vegetable business (“Sager Creek”) for \$55.0 million in total consideration. The Group previously acquired Sager Creek in March 2015. Sager Creek was a producer of specialty vegetables for the foodservice and retail markets headquartered in Siloam Springs, Arkansas.

The Group received \$30.0 million at closing on September 18, 2017 and \$15.0 million on February 27, 2018. The remaining \$10.0 million is due in installments along with accrued interest: \$2.5 million on February 28, 2019; \$5.0 million on February 28, 2020; and \$2.5 million on December 1, 2020. The Group has recorded current receivables of \$2.6 million in “Trade and Other Receivables” and non-current receivables of \$7.7 million in “Other Non-current Assets”. As of April 29, 2018, the Group recognized a gain on sale amounting to \$16.4 million. In connection with the sale, the Group also recognized impairment losses on related property, plant and equipment amounting to \$13.9 million in fiscal 2018 (See Note 5).

The carrying amounts of the assets sold in September 2017 included the following:

	<u>Amount</u>
Trademark	\$9,379
Customer relationship	9,211
Property, plant and equipment	16,794
Inventories	3,169
	<u>\$38,553</u>

Sale of Inventory

Commencing January 29, 2018, McCall Farms began selling the remainder of the Group’s Sager Creek inventory under an inventory sales agreement, serving as sales agent. The Group has incurred \$0.4 million in sales commissions to McCall Farms as of April 29, 2018.

Subsequently, commencing April 30, 2018, McCall Farms has agreed to purchase certain additional inventory with an original carrying amount of \$20.9 million for \$16.0 million. The \$4.9 million decrease in carrying value is included in our net realizable value adjustment (see Note 24). No sales commission will be earned in this agreement. The remaining Sager Creek inventory not purchased by McCall Farms will be sold by the Group.



5. Property, plant and equipment

	Buildings, land improvements and leasehold improvements	Machinery and equipment	Construction -in-progress	Freehold land	Total
Cost/Valuation					
At May 1, 2017	\$179,483	\$361,583	\$12,306	\$49,639	\$603,011
Additions	-	-	37,349	-	37,349
Disposals	(907)	(24,322)	-	(86)	(25,315)
Reclassifications and other adjustments	(2,616)	23,917	(27,186)	(369)	(6,254)
At April 29, 2018	<u>\$175,960</u>	<u>\$361,178</u>	<u>\$22,469</u>	<u>\$49,184</u>	<u>\$608,791</u>
At May 2, 2016	\$173,002	\$313,640	\$28,254	\$50,925	\$565,821
Additions	-	-	46,678	-	46,678
Disposals	(208)	(3,637)	-	-	(3,845)
Reclassifications and other adjustments	6,689	51,580	(62,626)	(1,286)	(5,643)
At April 30, 2017	<u>\$179,483</u>	<u>\$361,583</u>	<u>\$12,306</u>	<u>\$49,639</u>	<u>\$603,011</u>



Accumulated depreciation and impairment losses	Buildings, land improvements and leasehold improvements	Machinery and equipment	Construction -in-progress	Freehold land	Total
At May 1, 2017	\$26,189	\$112,121	\$ -	\$ -	\$138,310
Depreciation for the year	8,714	38,197	-	-	46,911
Disposals	(130)	(7,060)	-	-	(7,190)
Impairment losses	11,342	9,033	-	4,297	24,672
Reclassifications and other adjustments	(700)	(90)	-	-	(790)
At April 29, 2018	<u>\$45,415</u>	<u>\$152,201</u>	<u>\$ -</u>	<u>\$4,297</u>	<u>\$201,913</u>
At May 2, 2016	\$19,640	\$79,747	\$ -	\$390	\$99,777
Depreciation for the year	8,809	37,540	-	-	46,349
Disposals	(49)	(1,432)	-	-	(1,481)
Reclassifications and other adjustments	(2,211)	(3,734)	-	(390)	(6,335)
At April 30, 2017	<u>\$26,189</u>	<u>\$112,121</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$138,310</u>
Carrying amounts					
At April 29, 2018	<u>\$130,545</u>	<u>\$208,977</u>	<u>\$22,469</u>	<u>\$44,887</u>	<u>\$406,878</u>
At April 30, 2017	<u>\$153,294</u>	<u>\$249,462</u>	<u>\$12,306</u>	<u>\$49,639</u>	<u>\$464,701</u>



As of April 29, 2018 and April 30, 2017, the Group has no significant legal or constructive obligation to dismantle any of its leasehold improvements as the lease contracts provide, among other things, that the improvements introduced on the leased assets shall become the property of the lessor upon termination of the lease.

As of April 29, 2018 and April 30, 2017, the Group has amounts included in accrued liabilities for Property, Plant and Equipment acquired of \$6.4 million and \$2.1 million, respectively.

Plant closures

Plymouth Plant

The Group announced on September 12, 2017 its intention to close its Plymouth, Indiana plant. The Group closed the plant's facilities during fiscal 2018. In connection with the plant closure, the Group recognized impairment losses on related property, plant and equipment amounting to \$7.0 million in fiscal 2018.

Under the termination plan, approximately 100 employees were affected, all of which were terminated by the end of fiscal 2018. The Group recognized provisions for employee severance benefits amounting to \$2.3 million, with \$0.2 million outstanding as of April 29, 2018. The employee severance benefits are presented under "Employee benefits".

As of April 29, 2018, the Plymouth building and land were reclassified to assets held for sale (see Note 14).

Sager Creek - Siloam Springs, Arkansas

The Group announced on September 20, 2017 that it will cease operations of its Country production plant in Siloam Springs, Arkansas.

Under the termination plan, approximately 230 employees were affected, the majority of which were terminated by the end of fiscal 2018. The Group recognized provisions for employee severance benefits amounting to \$2.3 million, with \$0.4 million outstanding as of April 29, 2018. The employee severance benefits are presented under "Employee benefits".

Northwest Arkansas Distribution and Warehouse Facilities

The Group announced on January 19, 2018 its intention to close its distribution and warehouse facilities in Northwest Arkansas. These closures will take place during the first half of fiscal 2019.

Under the termination plan, approximately 125 employees were affected, the majority of which were terminated by the end of fiscal 2018. The Group recognized provisions for employee severance benefits amounting to \$1.3 million, with \$1.1 million outstanding as of April 29, 2018. The employee severance benefits are presented under "Employee benefits".



Sager Creek – Turkey, North Carolina

In April 2016, the Group announced its intention to close Sager Creek's plant in Turkey, North Carolina. The Group closed the plant's canning facilities during fiscal 2016 and the remainder of the production lines were redeployed to other production locations as of April 30, 2017. In connection with the plant closure, the Group recognized impairment losses on related property, plant and equipment amounting to \$5.0 million in fiscal 2016.

Under the termination plan, approximately 300 employees were affected, about two-thirds of which were terminated by the end of fiscal 2016, and the remainder terminated in fiscal 2017. The Group recognized provisions for employee severance benefits amounting to \$1.4 million, with \$1.2 million outstanding as of May 1, 2016. The employee severance benefits are presented under "Employee benefits". Related equipment removal costs amounting to \$2.3 million, together with other related costs, were recognized in fiscal 2016 and included under "Trade and other payables". These expenditures were incurred in 2017 and there are no outstanding provisions as of April 30, 2017. See Note 10 for related inventory write-downs.

As of April 30, 2017, the Group sold the Turkey, North Carolina plant and recognized a gain of \$0.7 million.

Estimating Useful Lives of Property, Plant and Equipment

The Group estimates the useful lives of its property, plant and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of property, plant and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets.

In addition, the estimation of the useful lives of property, plant and equipment is based on collective assessment of industry practice, internal technical evaluation and experiences with similar assets. It is possible, however, that future financial performance could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amount and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of property, plant and equipment would increase recorded depreciation expense and decrease non-current assets.

Estimating Impairment of Property, Plant and Equipment

The Group assesses the impairment of property, plant and equipment whenever events or changes in circumstances indicate that the carrying amount of these assets may not be recoverable. The factors that the Group considers important and which could trigger an impairment review, include, among others, significant changes in the manner in which an asset is used or expected to be used and plans to restructure or discontinue an operation. The recoverable value of property, plant and equipment is based on estimate of its fair less cost to sell. Such estimate relies on comparable sales in the market adjusted to account for the differences in the characteristics of the assets.



6. Subsidiaries

Details of the Company's subsidiaries are as follows:

Name of subsidiary	Principal activities	Place of incorporation and business	Effective equity held by the Group	
			April 29, 2018 %	April 30, 2017 %
Held by the Company				
Del Monte Foods Holdings II, Inc ("DMFHII")	Investment holding	State of Delaware, USA	100.00	-
Held by DMFHII				
Del Monte Foods Holdings, Inc ("DMFHI")	Investment holding	State of Delaware, USA	100.00	100.00
Held by DMFHI				
Del Monte Foods Inc. ("DMFI")	Manufacturing, processing and distributing food, beverages and other related products	State of Delaware, USA	100.00	100.00
Held by DMFI				
Sager Creek Foods, Inc. (formerly Vegetable Acquisition Corp.)	Distributor of non-Del Monte products	State of Delaware, USA	100.00	100.00
Del Monte Andina C.A. ^(a)	Manufacturing, processing and distributing food, beverages and other related products	Venezuela	-	-
Del Monte Colombiana S.A. ^(b)	Distributing food, beverages and other related products	Colombia	81.60	81.60
Industrias Citricolas de Montemorelos, S.A. de C.V. (ICMOSA)	Manufacturing, processing and distributing food, beverages and other related products	Mexico	99.90	99.90
Del Monte Peru S.A.C.	Distributing food, beverages and other related products	Peru	99.90	99.90
Del Monte Ecuador DME C.A.	Distributing food, beverages and other related products	Ecuador	99.90	99.90
Hi-Continental Corp.	Distributor of non-Del Monte products	State of California, USA	100.00	100.00
College Inn Foods	Distributor of College Inn brand products	State of California, USA	100.00	100.00
Contadina Foods, Inc.	Distributor of Contadina brand products	State of Delaware, USA	100.00	100.00
S&W Fine Foods, Inc	Distributor of S&W Fine Foods, Inc.	State of Delaware, USA	100.00	100.00
Del Monte Ventures, LLC ("DM Ventures") ^(c)	Holding company	State of Delaware, USA	100.00	100.00
Held by DM Ventures				
Del Monte Chilled Fruit Snacks, LLC ^(c)	Development, production, marketing, sale and distribution of processed refrigerated fruit products	State of Delaware, USA	51.00	-
Del Monte Avo, LLC ^(c)	Development, production, marketing, sale and distribution of UHP avocado products	State of Delaware, USA	51.00	-
Held by Del Monte Andina C.A.				
Del Monte Argentina S.A.	Inactive	Argentina	-	-



- a) In fiscal 2015, the Group deconsolidated its subsidiary, Del Monte Andina C.A., an entity which has operations in Venezuela. Venezuela is a hyperinflationary economy. The Venezuelan exchange control regulations have resulted in an other-than-temporary lack of exchangeability between the Venezuelan Bolivar and US dollar. This has restricted the Venezuelan entity's ability to pay dividends and obligations denominated in US dollars. The exchange regulations, combined with other recent Venezuelan regulations, have constrained the Venezuelan entity's ability to maintain normal production. Due to the Group's inability to effectively control the operations of the entity, the Group deconsolidated the subsidiary with effect from February 2015. The equity interest in this entity is determined to be the cost of investment of the entity at the date of deconsolidation. The investment is carried at cost less impairment.
- b) The non-controlling interest in Del Monte Colombiana S.A. is deemed immaterial.
- c) In connection with the June 27, 2017 Settlement Agreement which resulted to the dismissal of the license dispute filed with the U.S. District Court for the Southern District of New York in December 2013, DMFI and Fresh Del Monte (FDP) entered into four joint venture agreements. To effect these joint ventures, the Group incorporated its subsidiary, Del Monte Ventures, LLC on June 19, 2017 which acquired interests in four joint venture entities which were all incorporated in the state of Delaware, USA. These joint ventures will pursue sales of expanded refrigerated offerings across all distribution and sales channels, and will establish a new retail food and beverage concept. These joint ventures will initially focus on the U.S. market, with the potential for expansion into other territories. These joint venture entities are in their pre-operating stages and have no material assets or liabilities as of April 29, 2018.

7. Intangible assets and goodwill

	Goodwill	Indefinite life trade marks	Amortizable trade marks	Customer relationships	Total
Cost					
At April 30, 2017	\$204,592	\$394,000	\$35,900	\$120,500	\$754,992
Sale of intangibles	-	-	(11,900)	(13,500)	(\$25,400)
At April 29, 2018	<u>\$204,592</u>	<u>\$394,000</u>	<u>\$24,000</u>	<u>\$107,000</u>	<u>\$729,592</u>
Accumulated amortization					
At May 1, 2017	\$ -	\$ -	\$6,247	\$20,624	\$26,871
Amortization	-	-	1,712	6,054	7,766
Sale of intangibles	-	-	(2,520)	(4,290)	(6,810)
At April 29, 2018	<u>\$ -</u>	<u>\$ -</u>	<u>\$5,439</u>	<u>\$22,388</u>	<u>\$27,827</u>
At May 2, 2016	\$ -	\$ -	\$3,955	\$13,586	\$17,541
Amortization	-	-	2,292	7,038	9,330
At April 30, 2017	<u>\$ -</u>	<u>\$ -</u>	<u>\$6,247</u>	<u>\$20,624</u>	<u>\$26,871</u>
Carrying amounts					
At April 29, 2018	<u>\$204,592</u>	<u>\$394,000</u>	<u>\$18,561</u>	<u>\$84,612</u>	<u>\$701,765</u>
At April 30, 2017	<u>\$204,592</u>	<u>\$394,000</u>	<u>\$29,653</u>	<u>\$99,876</u>	<u>\$728,121</u>



Goodwill – Acquisition of Consumer Food Business

Goodwill is attributable to the Group, a single CGU, and originated from the October 9, 2013 purchase agreement between DMPL and DMFI with Del Monte Corporation, now known as “Big Heart Pet Brands” (“the Seller”), to acquire all of the shares of certain subsidiaries of the Seller and acquire certain assets and assume certain liabilities related to the Seller’s consumer food business (“Consumer Food Business”). The transaction was completed on February 18, 2014, the acquisition date.

Impairment Test

In 2018, the recoverable amount of the CGU was based on VIU being greater than fair value less costs of disposal. In 2017, the recoverable amount of the CGU was based on fair value less costs of disposal, being greater than the VIU.

	April 29, 2018	April 30, 2017
Value-in-use	\$2,630,000	\$1,870,000
Fair value less costs of disposal	2,580,000	1,990,000
Recoverable amount	\$2,630,000	\$1,990,000

As of valuation date in January 2018 and 2017, the estimated recoverable amount of the CGU exceeded its carrying amount by approximately \$1,156.40 million, and \$177.65 million, respectively. Therefore, the CGU is not impaired.

Value-in-use

The VIU is the present value of expected future cash flows, discounted at a risk-adjusted weighted average cost of capital.

The key assumptions used in the estimation of the recoverable amount using the VIU approach are set out below. The values assigned to the key assumptions represent management’s assessment of future trends in the relevant industries and were based on historical data from both external and internal sources.

	2018	2017
	%	%
Pre-tax discount rate	9.1	11.1
Terminal value growth rate	2.0	2.0
Long-term EBITDA margin	13.0	13.3

The discount rate was a pre-tax measure estimated based on the historical industry average weighted-average cost of capital, with a possible range of debt leveraging of 44% (April 30, 2017: 35%) at a risk free interest rate of 3.5% (April 30, 2017: 3.5%).

The cash flow projections included specific estimates for five years and a terminal growth rate thereafter. The terminal growth rate was determined based on management’s estimate of the long-term compound annual EBITDA growth rate consistent with the assumption that a market participant would make.



EBITDA was estimated taking into account past experience adjusted as follows:

- Revenue growth was projected taking into account the average growth levels experienced over the past five years and estimated sales volume and price growth for the next five years. It was assumed that sales price would increase in line with forecasted inflation over the next five years. The amounts are probability-weighted.

Fair value less costs of disposal

Fair value less costs of disposal is determined using the Market Approach, which makes use of prices and other relevant information generated by market transactions involving similar companies.

The Market Comparable Method was used in applying the Market Approach, making use of market price data of companies engaged in the same or similar line of business as that of the Group. Stocks of these companies are traded in a free and open market or in private transactions. The process involves the identification of comparable companies, calculation and application of market multiples representing ratios of invested capital or equity to financial measures of the Group, application of an appropriate control premium to the companies being compared, and adjustment for any non-operating assets or liabilities or working capital excess/deficit to arrive at an indication of Business Enterprise Value.

The approach involves the use of both observable inputs and unobservable inputs (e.g. projected revenue and EBITDA, and adjusted market multiples). Accordingly, the fair value measurement is categorized under level 3 of the fair value hierarchy.

Comparable companies were selected from comprehensive lists and directories of public companies in the packaged foods industry. Potential comparable companies were analyzed based on various factors, including, but not limited to, industry similarity, financial risk, company size, geographic diversification, profitability, growth characteristics, financial data availability, and active trading volume.

Calculation of the market multiples considered Market Value of Invested Capital (MVIC), the sum of the market values of a comparable company's common stock, interest-bearing debt and preferred stock, assuming that the book value of the comparable companies' debt approximated the market value of the debt. Adjustments to the market multiples were made to reflect the difference between the estimated size of the Group and each comparable company, improving comparability based on relative size difference prospects. Relative size adjustment factors were calculated based on a regression of a Price / Earnings ratio using size as an independent variable. The market multiples selected and applied to the Group's financial results in the analysis were as follows:

	2018		2017	
	Selected multiple	Assigned weight	Selected multiple	Assigned weight
MVIC/Revenue – Last twelve months	1.1x	25%	1.0x	50%
MVIC/Revenue – Projected	1.3x	25%	1.1x	0%
MVIC/EBITDA – Last twelve months	13.3x	25%	13.6x	50%
MVIC/EBITDA – Projected	12.5x	25%	11.9x	0%



Indefinite life trademarks

The indefinite life trademarks arising from the acquisition of DMFI relate to those of DMFI for the use of the “*Del Monte*” trademark in the United States and South America market, and the “*College Inn*” trademark in the United States, Australia, Canada and Mexico. As of April 29, 2018 and April 30, 2017, the carrying amounts of the trademarks with indefinite useful lives are \$394.0 million. Management has designated these assets as having indefinite useful lives as the Group has exclusive access to the use of these trademarks on a royalty free basis and based on all relevant factors, there is no foreseeable limit to the period over which the assets are expected to generate cash inflows for the entity. The carrying amounts for indefinite life trademarks were included in the annual impairment assessment performed for the CGU as described above.

Source of estimation uncertainty

Goodwill and the indefinite life trademarks are assessed for impairment annually. The impairment assessment requires an estimation of the VIU and fair value less costs of disposal of the cash-generating unit to which the goodwill and indefinite life trademarks are allocated.

Estimating the VIU requires the Group to make an estimate of the expected future cash flows from the CGU and apply an appropriate discount rate in order to calculate the present value of those cash flows. Actual cash flows will differ from these estimates as a result of differences between assumptions used and actual operations.

Estimating fair value less costs of disposal requires the Group to calculate market multiples, derived from market price data of comparable companies, to be applied to the Group’s financial measures. The estimated fair value would change depending on the assumptions used, such as the annual revenue growth rate, EBITDA margin, and adjusted market multiples.

Sensitivity analysis

Management has identified that a reasonably possible change in the market multiples could cause the carrying amount of the CGU to exceed the recoverable amount. The following table show the amount to which the market multiples would need to change independently for the estimated recoverable amount to be equal to the carrying amount.

	Breakeven Multiple	
	2018	2017
MVIC/Revenue – Last twelve months	0.7x	0.9x
MVIC/Revenue – Projected	0.8x	-
MVIC/EBITDA – Last twelve months	12.6x	12.1x
MVIC/EBITDA – Projected	9.6x	-



Amortizable trademarks

	Net carrying amount		Remaining amortization	
	2018	2017	2018	2017
America S&W trademark	\$1,163	\$1,363	5.8	6.8
America Contadina trademark	17,398	18,497	15.8	16.8
Sager Creek trademarks	-	9,793	-	9.9
	\$18,561	\$29,653		

S&W and Contadina trademarks

The amortizable trademarks relate to the exclusive right to use the “S&W” trademark in the United States, Canada, Mexico and certain countries in Central and South America and the “Contadina” trademark in the United States, Canada, Mexico, South Africa and certain countries in Asia Pacific, Central America, Europe, Middle East and South America market.

Management has included these trademarks in the CGU impairment assessment and concluded that no impairment exists at the reporting date.

Sager Creek trademarks

The Sager Creek trademarks were acquired when the Group acquired the Sager Creek business in March 2015. Sager Creek’s well-known brands include Veg-All, Freshlike, Popeye, Princella and Allens’. Management has included these trademarks in the CGU impairment assessment and the Group did not recognize any impairment for these trademarks as of April 30, 2017. The Sager Creek trademarks were included in the sale of certain assets of Sager Creek in September 2017 (see Note 4).

Customer relationships

Customer relationships relate to the network of customers where DMFI has established relationships with the customers through contracts. The Sager Creek customer relationships were included in the sale of certain assets of Sager Creek in September 2017 (see Note 4).

	2018	2017
Net carrying amount	\$84,612	\$99,876
Remaining amortization period (years)	15.8	5.9 – 16.8

Management has included the customer relationships in the CGU impairment assessment and concluded that no impairment exists at the reporting date.

Estimating useful lives of amortizable trademarks and customer relationships

The Group estimates the useful lives of its amortizable trademarks and customer relationships based on the period over which the assets are expected to be available for use. The estimated useful lives of the trademarks and customer relationships are reviewed periodically and are updated if expectations differ from previous estimates due to legal or other limits on the use of the assets. A reduction in the estimated useful lives of amortizable trademarks and customer relationships would increase recorded amortization expense and decrease non-current assets.



8. Deferred tax

Deferred tax assets and liabilities are attributable to the following:

	<u>Assets</u>		<u>Liabilities</u>	
	<u>April 29, 2018</u>	April 30, 2017	<u>April 29, 2018</u>	April 30, 2017
Provisions	\$1,150	\$2,350	\$ -	\$ -
Employee benefits	23,647	34,940	-	-
Property, plant and equipment	-	-	(21,688)	(35,513)
Intangible assets and goodwill	-	-	(50,944)	(64,890)
Effective portion of changes in fair value of cash flow hedges	1,166	5,809	-	-
Tax loss carry-forwards	127,780	138,398	-	-
Inventories	1,478	449	-	-
Deferred income	-	-	(8,562)	-
Other	3,768	9,584	-	-
Deferred tax assets/(liabilities)	158,989	191,530	(81,194)	(100,403)
Set off of tax	(80,102)	(99,311)	80,102	99,311
Deferred tax assets/(liabilities)	\$78,887	\$92,219	(\$1,092)	(\$1,092)

Movements in deferred tax assets and liabilities of the Group during the year are as follows:

	<u>At April 30, 2017</u>	<u>Recognized in profit or loss (Note 26)</u>	<u>Recognized in other comprehensive income</u>	<u>At April 29, 2018</u>
At April 29, 2018				
Deferred tax assets				
Provisions	\$2,350	(\$1,200)	\$-	\$1,150
Employee benefits	34,941	(4,075)	(7,219)	23,647
Effective portion of changes in fair value of cash flow hedges	5,808	(544)	(4,098)	1,166
Tax loss carry-forwards	138,398	(10,618)	-	127,780
Inventories	449	1,029	-	1,478
Other	9,584	(5,816)	-	3,768
	<u>\$191,530</u>	<u>(\$21,224)</u>	<u>(\$11,317)</u>	<u>\$158,989</u>
Deferred tax liabilities				
Property, plant and equipment	(\$35,513)	\$13,825	\$-	(\$21,688)
Intangible assets and goodwill	(64,890)	13,946	-	(50,944)
Deferred income	-	(8,562)	-	(8,562)
	<u>(100,403)</u>	<u>19,209</u>	<u>-</u>	<u>(81,194)</u>
Net deferred tax	<u>\$91,127</u>	<u>(\$2,015)</u>	<u>(\$11,317)</u>	<u>\$77,795</u>



	At May 1, 2016	Recognized in profit or loss (Note 26)	Recognized in other comprehensive income	At April 30, 2017
At April 30, 2017				
Deferred tax assets				
Provisions	\$3,012	(\$662)	\$-	\$2,350
Employee benefits	40,930	(167)	(5,822)	34,941
Effective portion of changes in fair value of cash flow hedges	13,403	(701)	(6,894)	5,808
Tax loss carry-forwards	103,695	34,703	-	138,398
Inventories	2,187	(1,738)	-	449
Other	8,524	1,060	-	9,584
	<u>\$171,751</u>	<u>\$32,495</u>	<u>(\$12,716)</u>	<u>\$191,530</u>
Deferred tax liabilities				
Property, plant and equipment	(\$30,967)	(\$4,546)	\$-	(\$35,513)
Intangible assets and goodwill	(44,794)	(20,096)	-	(64,890)
	<u>(75,761)</u>	<u>(24,642)</u>	<u>-</u>	<u>(100,403)</u>
Net deferred tax	<u>\$95,990</u>	<u>\$7,853</u>	<u>(\$12,716)</u>	<u>\$91,127</u>

Unrecognized deferred tax assets

Deferred tax assets have not been recognized with respect to the following items.

	April 29, 2018	April 30, 2017
Deductible temporary differences	<u>\$9,281</u>	<u>\$10,966</u>
Tax losses and tax credits	<u>549</u>	<u>462</u>
	<u>\$9,830</u>	<u>\$11,428</u>

The tax losses will expire between 2019 and 2021. The tax credits will expire between 2024 and 2028. Deferred tax assets have not been recognized with respect to these items because it is not probable that future taxable profits will be available to utilize the benefits.

Sources of estimation uncertainty

As of April 29, 2018, deferred tax assets amounting to \$127.8 million (April 30, 2017: \$138.4 million) have been recognized in respect of the tax loss carry forwards because management assessed that it is probable that future taxable profit will be available against which DMFI can utilize these benefits. Management expects profitable growth coming from revenue strategies and cost efficiencies in the future. To the extent that profitable growth does not materialize in the future periods, deferred tax assets of \$159.0 million may not be realized. The majority of the tax loss for April 29, 2018 can be carried forward indefinitely and tax loss carry forwards prior to April 29, 2018 may be utilized up to a 20-year period.



9. Other noncurrent assets

	<u>April 29, 2018</u>	<u>April 30, 2017</u>
Excess insurance	\$5,960	\$4,279
Note receivables	7,744	-
Other	1,219	1,278
	<u>\$14,923</u>	<u>\$5,557</u>

Excess insurance relates mainly to reimbursements from insurers to cover certain workers' compensation claims liabilities (see Note 17). The note receivables of \$7.7 million relates to the sale of certain assets of Sager Creek (see Note 4).

10. Inventories

	<u>April 29, 2018</u>	<u>April 30, 2017</u>
Finished goods, at net realizable value	\$420,788	\$511,774
Semi-finished goods, at cost	118,951	193,738
Raw materials and packaging supplies, at net realizable value	103,399	113,737
	<u>\$643,138</u>	<u>\$819,249</u>

The cost of inventories recognized as expense during the year was \$1.4 billion (April 30, 2017: \$1.4 billion; May 1, 2016: \$1.5 billion). This includes a total of \$24.5 million in respect of direct write-offs and write-downs of inventories to net realizable value (April 30, 2017: \$22.9 million; May 1, 2016: \$23.9 million).

Inventories are stated net of an allowance for inventory obsolescence. Movements in the allowance for inventory obsolescence during the year are as follows:

	<u>April 29, 2018</u>	<u>April 30, 2017</u>
At beginning of the year	\$8,370	\$5,275
Allowance for the year	19,588	9,101
Write-off against allowance	(8,744)	(6,006)
At end of the year	<u>\$19,214</u>	<u>\$8,370</u>

In connection with the sale of Sager Creek, the Group has directly written down related inventories to their net realizable values resulting in a loss of \$13.1 million, including the write-down of inventory subsequently purchased by McCall Farms, in fiscal 2018 (see Note 4).

In connection with the closure of Sager Creek's plant in Turkey, North Carolina, the Group has directly written down related inventories to their net realizable values resulting in a loss of \$5.5 million in fiscal 2016.



The allowance for inventory obsolescence recognized during the year is included in cost of sales.

Source of estimation uncertainty

The Group recognizes an allowance for inventory obsolescence when inventory items are specifically identified as obsolete, have remained unsold for a certain period, or have otherwise experienced a decline in selling prices. Obsolescence is based on the physical and internal condition of inventory items. Obsolescence is also established when inventory items are no longer marketable. Obsolete goods, when identified are charged to the income statement and are written off. In addition to an allowance for specifically identified obsolete inventory, an estimation is made on a group basis based on the age of the inventory items. The Group believes such estimates represent a fair charge of the level of inventory obsolescence in a given year. The Group reviews the condition of its inventory on a regular basis. The assessment of the condition of the inventory either increases or decreases the expenses or total inventory.

Estimates of net realizable value are based on the most reliable evidence available at the time the estimates are made, and reflect management's assessment of the amount the inventories are expected to be realized at. These estimates take into consideration fluctuations of price or cost directly relating to events occurring after the reporting date, to the extent that such events confirm conditions existing at the reporting date. The Group regularly reviews product movement, changes in customer demand and introduction of new products, to identify inventories which should be written down to its net realizable value. The write-down of inventories is reviewed periodically. An increase in write-down of inventories would increase the recorded cost of sales and decrease current assets.

11. Trade and other receivables

	April 29, 2018	April 30, 2017
Trade receivables	\$81,288	\$83,421
Less: allowance for impairment	(130)	(130)
Trade receivables, net	81,158	83,291
Nontrade receivables	6,589	7,302
Less: allowance for impairment	(19)	-
Nontrade receivables, net	6,570	7,302
Trade and other receivables	\$87,728	\$90,593

Movements in allowance for impairment during the year are as follows:

	<i>Note</i>	April 29, 2018	April 30, 2017
At beginning of the year/period		\$130	\$97
Allowance recognized	23	249	117
Write-off against allowance		(230)	(84)
At end of the year/period		\$149	\$130



The aging of trade and other receivables at the reporting date is:

	April 29,		April 30,	
	2018		2017	
	Gross	Impairment losses	Gross	Impairment losses
Not past due	\$80,076	\$ -	\$68,225	(\$130)
Past due 0 - 60 days	1,397	-	14,898	-
Past due 61 - 90 days	949	-	1,743	-
Past due 91 - 120 days	988	-	1,163	-
More than 120 days	4,467	(149)	4,694	-
	\$87,877	(\$149)	\$90,723	(\$130)

Source of estimation uncertainty

The Group maintains an allowance for impairment of accounts receivables at a level considered adequate to provide for potential uncollectible receivables. The level of this allowance is evaluated by the Group on the basis of factors that affect the collectability of the accounts. These factors include, but are not limited to, the length of the Group's relationship with debtors, their payment behavior and known market factors. The Group reviews the age and status of receivables, and identifies accounts that are to be provided with allowance on a continuous basis. The amount and timing of recorded expenses for any period would differ if the Group made different judgment or utilized different estimates. An increase in the Group's allowance for impairment would increase the Group's recorded operating expenses and decrease current assets.

The recorded impairment loss falls within the Group's historical experience in the collection of accounts receivables. Therefore, management believes that there is no significant additional credit risk beyond what has been adjusted for.

12. Prepaid and other current assets

	April 29,	April 30,
	2018	2017
Prepayments	\$13,996	\$14,512
Advances to suppliers	306	-
Derivative assets	304	2,685
	\$14,606	\$17,197

13. Cash

	April 29,	April 30,
	2018	2017
Cash in bank	\$2,499	\$3,114



14. Assets held for sale

In fiscal 2018, management committed to a plan to sell certain assets of the Group's Plymouth, Indiana plant (see Note 5). Additionally, an office building in Siloam Springs, Arkansas was vacated and put up for sale. Accordingly, these assets were presented as assets held for sale. Efforts to sell the assets have started and a sale was expected within twelve months from the date of reclassification. As of year-end, these assets comprised the following:

	April 29, 2018	April 30, 2017
Land	\$1,178	\$ -
Buildings and machinery	4,326	-
	<u>\$5,504</u>	<u>\$ -</u>

15. Reserves

	April 29, 2018	April 30, 2017
Remeasurement of retirement plan	\$21,485	\$7,859
Translation reserve	267	264
Hedging reserve	(3,091)	(8,322)
	<u>\$18,661</u>	<u>(\$199)</u>

The translation reserve comprises foreign exchange differences arising from the translation of the financial statements of foreign operations.

The re-measurement of retirement plan relates to the actuarial gains and losses for the defined benefit plans and the return on plan assets, excluding amounts included in net interest on the net defined benefit liability (asset).

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges pending subsequent recognition in the consolidated income statement.

16. Loans and borrowings

	April 29, 2018	April 30, 2017
Current liabilities		
Secured bank loans	\$10,250	\$169,114
Non-current liabilities		
Secured bank loans	794,638	922,294
	<u>\$804,888</u>	<u>\$1,091,408</u>



Terms and debt repayment schedule

Terms and conditions of outstanding loans and borrowings are as follows:

	Currency	Year of maturity	April 29, 2018		April 30, 2017	
			Face value	Carrying amount	Face value	Carrying amount
Secured bank loan under ABL Credit Agreement	USD	2019-2020	\$10,000	\$5,527	\$168,000	\$165,800
Secured First Lien Term Loan	USD	2021	681,600	672,163	686,925	673,820
Secured Second Lien Term Loan	USD	2021	134,055	127,198	260,000	251,788
			\$825,655	\$804,888	\$1,114,925	\$1,091,408

Movements in the carrying amount of the loans during the year are as follows:

	Loan under ABL Credit Agreement	First Lien Term Loan	Second Lien Term Loan	Total
Carrying amount:				
Balance at May 1, 2017	\$165,800	\$673,820	\$251,788	\$1,091,408
Changes from financing cash flows				
Proceeds from loans and borrowings	287,071	-	-	287,071
Payments of loans and borrowings	(445,071)	(5,325)	-	(450,396)
Payments of debt related costs	(4,515)	-	-	(4,515)
Debt repurchase	-	-	(126,492)	(126,492)
Interest paid	(9,053)	(31,391)	(24,628)	(65,072)
Other changes				
Interest expense	8,361	32,244	23,040	63,645
Amortization of deferred financing fees	2,242	3,667	1,903	7,812
Accrued expense	692	(852)	1,587	1,427
Balance at April 29, 2018	\$5,527	\$672,163	\$127,198	\$804,888

Secured Term Loan Credit Agreements

The Group is a party to a First Lien Term Loan credit agreement and a Second Lien Term Loan credit agreement (the "Term Loan Credit Agreements") with the lenders party thereto, Citibank, N.A., as administrative agent and collateral agent, and the other agents named therein, that provided for a \$710.0 million First Lien Term Loan and a \$260.0 million Second Lien Term Loan with terms of seven years and seven years plus six months, respectively.

Interest Rates. Loans under the First and Second Lien Term Loans bear interest at a rate equal to an applicable margin, plus, at the Group's option, either (i) a LIBOR rate (with a floor of 1.00%) or (ii) a base rate (with a floor of 2.00%) equal to the highest of (a) the federal funds rate plus 0.50%, (b) CitiBank, N.A.'s "prime commercial rate" and (c) the one-month LIBOR Quoted Rate plus 1.00%. As of April 29, 2018, the interest rate for First Lien Term Loans is 5.15% (April 30, 2017: 4.31%; May 1, 2016: 4.25%) and the interest rate for Second Lien Term Loans is 9.06% (April 30, 2017: 8.31%; May 1, 2016: 8.25%).



Principal Payments. The First Lien Term Loan generally requires quarterly scheduled principal payments of 0.25% of the original principal per quarter from April 30, 2014 to January 31, 2021. The balance is due in full on the maturity date of February 18, 2021. Scheduled principal payments with respect to the First Lien Term Loan are subject to reduction following any mandatory or voluntary prepayments on terms and conditions set forth in the First Lien Term Loan Credit Agreement.

The Second Lien Term Loan is due in full at its maturity date of August 18, 2021.

The Term Loan Credit Agreements also require the Group to prepay outstanding loans under the First Lien Term Loan and the Second Lien Term Loan, subject to certain exceptions, with, among other things:

- 50% (which percentage will be reduced to 25% if the leverage ratio is 4.0x or less and to 0% if the leverage ratio is 3.0x or less) of the annual excess cash flow, as defined in the First Lien Term Loan Credit Agreement;
- 100% of the net cash proceeds of certain casualty events and non-ordinary course asset sales or other dispositions of property for a purchase price above \$2.0 million, in each case, subject to the Group's right to reinvest the proceeds; and
- 100% of the net cash proceeds of any incurrence of debt, other than proceeds from debt permitted under the First Lien Term Loan Credit Agreement.

On March 14, 2018, DMPL, a trust owned by DMFHII and certain seller lenders entered into a Purchase Agreement wherein DMPL, or its designated affiliate, agreed to purchase certain Second Lien Term Loans from the seller lenders at an amount equal to 70% of the principal amount of the loans to be sold, plus accrued and unpaid interest thereon. On March 27, 2018, DMFI, DMFHI and the lenders signed the second amendment to the Second Lien Term Loan allowing DMPL, or its eligible assignee, to purchase any and all loans outstanding under the amended agreement which were duly submitted by the lenders for purchase at a price equal to 70% of the principal amount.

In March 2018, DMFHII, the affiliate assignee, through a trust, purchased DMFI's Second Lien Term Loans with principal amount of \$125.9 million from seller lenders for \$88.2 million. The pre-tax net gain from the purchase of the loans amounting to \$35.6 million, net of transaction costs amounting to \$2.1 million, was recognized in the Group's consolidated financial statements (see Note 24).

To finance the purchase of the Second Lien Term Loans, DMPL extended a loan to DMFHII amounting to \$88.2 million. Such loan is subject to interest of 12.95%, subject to quarterly repricing, and will mature on August 18, 2021. The interest payable to DMPL on this loan amounted to \$1.0 million in 2018 (see Note 35). The transaction costs amounting to \$2.1 million initially paid by DMPL were also passed on to DMFHII and recorded as part of intercompany payable.

Subsequently, on June 5, 2018, an additional \$4.0 million of the Second Lien Term Loans were purchased.

Ability to Incur Additional Indebtedness. The Group has the right to request an additional \$100 million plus an additional amount of secured indebtedness under the First Lien Term Loan and



the Second Lien Term Loan. Lenders under this facility are under no obligation to provide any such additional loans, and any such borrowings will be subject to customary conditions precedent, including satisfaction of a prescribed leverage ratio, subject to the identification of willing lenders and other customary conditions precedent.

ABL Credit Agreement

The Group is a party to a credit agreement (the “ABL Credit Agreement”) with Citibank, N.A., as administrative agent, and the other lenders and agents parties thereto, that provides for senior secured financing of up to \$442.6 million (with all related loan documents, and as amended from time to time, the ABL Facility) with a term of five years until February 18, 2019, prior to an amendment in 2018.

On April 23, 2018, the Group amended and restated the ABL Credit Agreement. The \$442.6 million facility was divided into two tranches: “Tranche A” with an amount up to \$46.5 million and “Tranche B” with an amount up to \$442.6 million. Any drawdown or repayment are to be made in proportion to the two tranches and maximum borrowings cannot exceed the Tranche B commitments. As of April 30, 2017, the Group’s commitment could not exceed \$450 million. Tranche A matures February 18, 2019 and Tranche B matures November 19, 2020. Proceeds of \$40.0 million from the amended ABL Agreement were used to pay-off the balance of the previous credit agreement. The Group fully amortized the deferred financing fees related to the previous credit agreement of \$0.9 million from the amendment.

Interest Rates. Borrowings under the ABL Credit Agreement bear interest at an initial interest rate equal to an applicable margin, plus, at the Group’s option, either (i) a LIBOR rate, or (ii) a base rate equal to the highest of (a) the federal funds rate plus 0.50%, (b) Citibank, N.A.’s “prime commercial rate” and (c) the one-month LIBOR rate plus 1.00%. The applicable margin with respect to LIBOR borrowings is 2.00% for Tranche A and 2.50% for Tranche B at April 29, 2018, respectively, (and may decrease to 1.75% and 2.25% , respectively, or increase to 2.25% and 2.75%, respectively, depending on average excess availability) (April 30, 2017: 2.25%; May 1, 2016: 2.0%) and with respect to base rate borrowings is 1.00% for Tranche A and 1.50% for Tranche B at April 29, 2018, respectively (and may decrease to 0.75% and 1.25% , respectively, or increase to 1.25% and 1.75%, respectively, depending on average excess availability) (April 30, 2017: 1.25%; May 1, 2016: 1.0%).

Commitment Fees. In addition to paying interest on outstanding principal under the ABL Credit Agreement, the Group is required to pay a commitment fee that was initially 0.375% per annum in respect of the unutilized commitments thereunder. The commitment fee rate on Tranche A from time to time is 0.250% or 0.500% depending on the amount of unused commitments under the ABL Credit Agreement for the prior fiscal quarter. The commitment fee rate on Tranche B is 0.500%. The Group must also pay customary letter of credit fees between 1.75% to 2.75% based on average excess availability, and fronting fees equal to 0.125% of the face amount for each letter of credit issued.

Availability under the ABL Credit Agreement. Availability under the ABL Credit Agreement is subject to a borrowing base. The borrowing base, determined at the time of calculation, is an amount equal to: (a) 85% of eligible accounts receivable and (b) the lesser of (1) 75% of the net book value of eligible inventory and (2) 85% of the net orderly liquidation value of eligible inventory, of the Group at such time, less customary reserves. The ABL Credit Agreement will terminate, and the commitments thereunder will mature, on February 18, 2019 for Tranche A and November 19, 2020 for Tranche B. As of April 29, 2018, under Tranche A and Tranche B of the ABL Credit Agreement there were \$0.9 million and \$9.1 million (April 30, 2017: \$168.0 million)



of loans outstanding, respectively, and \$1.6 million and \$15.3 million of letters of credit issued, respectively (April 30, 2017: \$14.0 million). The Group's net availability under the ABL Credit Agreement was \$415.7 million as of April 29, 2018 (April 30, 2017: \$260.5 million). The weighted average interest rate on the ABL Credit Agreement was approximately 6.20% on April 29, 2018 (April 30, 2017: 3.39%; May 1, 2016: 3.15%). The ABL Credit Agreement includes a sub-limit for letters of credit and for borrowings on same-day notice, referred to as "swingline loans."

Ability to Incur Additional Indebtedness. Notwithstanding any increase in the facility size, the Group's ability to borrow under the facility will remain limited at all times by the borrowing base (to the extent the borrowing base is less than the commitments).

Guarantee of Obligations under the Term Loan Credit Agreements and the ABL Credit Agreement. All obligations of the Group under the *Term Loan Credit Agreements and the ABL Credit Agreement* are unconditionally guaranteed by the Company and by substantially all existing and future, direct and indirect, wholly owned material restricted domestic subsidiaries of the Group, subject to certain exceptions.

Security Interests

Indebtedness under the First Lien Term Loan is generally secured by (i) a first priority pledge of all of the equity interests of the Group, (ii) a second priority lien on all ABL Priority Collateral of the Group and (iii) a first priority lien on substantially all other properties and assets of the Group. The Second Lien Term Loan is generally secured by (i) a second priority pledge of all of the equity interests of the Group, (ii) a third priority lien on all ABL Priority Collateral of the Group and (iii) a second priority lien on substantially all other properties and assets of the Group. The ABL Credit Agreement is generally secured by a first priority lien on the Group's inventories and accounts receivable and by a third priority lien on substantially all other assets excluding real estate.

All of the Group's inventory and trade receivables secure the various borrowings.

Borrowing Base Reserve

The Group is required to hold a \$45.0 million borrowing base reserve during the term of the loan.

Restrictive and Financial Covenants. The Term Loan Credit Agreements and the ABL Credit Agreement contain restrictive covenants that limit the Group's ability and the ability of its subsidiaries to take certain actions.

Term Loan Credit Agreement and ABL Credit Agreement Restrictive Covenants. The restrictive covenants in the Term Loan Credit Agreement and the ABL Credit Agreement include covenants limiting the Group's ability, and the ability of the Group's restricted subsidiaries, to incur additional indebtedness, create liens, engage in mergers or consolidations, sell or transfer assets, pay dividends and distributions or repurchase the Group's capital stock, make investments, loans or advances, prepay certain indebtedness, engage in certain transactions with affiliates, amend agreements governing certain subordinated indebtedness adverse to the lenders, and change the Group's lines of business.

Financial Maintenance Covenants and Minimum Consolidated EBITDA. The Term Loan Credit Agreements and ABL Credit Agreement generally do not require that the Group comply with financial maintenance covenants. Beginning in fiscal 2019, the Group will be subject to an EBITDA financial covenant. Consolidated Trailing Twelve Month EBITDA of the Borrower and



the Guarantors as of the last day of any fiscal quarter shall not be lower than specified amounts in the Credit Agreement.

Effect of Restrictive and Financial Covenants. The restrictive and financial covenants in the Term Loan Credit Agreements and the ABL Credit Agreement may adversely affect the Group's ability to finance its future operations or capital needs or engage in other business activities that may be in its interest, such as acquisitions.

The Group is compliant with its loan covenants as of April 29, 2018 and April 30, 2017.

17. Other non-current liabilities

	<i>Note</i>	April 29, 2018	April 30, 2017
Workers' compensation	34	\$22,209	\$23,410
Accrued lease liabilities		5,143	4,614
Accrued vendor liabilities		1,208	-
Deferred operating lease liabilities from business combination		-	3,818
Other payables		1,072	988
		<u>\$29,632</u>	<u>\$32,830</u>

18. Employee benefits

The Group contributes to the following post-employment defined benefit plans:

	April 29, 2018	April 30, 2017
Post-retirement medical benefits plan obligation	\$34,594	\$39,017
Net defined benefit liability – Qualified retirement plan	30,548	37,934
Executive retirement plan	5,169	5,423
Cash incentive award	7,459	3,708
Short-term employee benefits	30,278	16,557
Other plans and benefits	6,499	7,114
Total employee benefit liability	<u>\$114,547</u>	<u>\$109,753</u>
Current	\$37,645	\$22,154
Non-current	76,902	87,599
	<u>\$114,547</u>	<u>\$109,753</u>



The DMFI Plan

DMFI sponsors a qualified defined benefit pension plan (the “DMFI Plan”) and several unfunded defined benefit post-retirement plans providing certain medical, dental, and life insurance benefits to eligible retired, salaried, non-union hourly and union employees. The DMFI Plan comprises of two parts:

The first part is a cash balance plan (“Part B”), which provides benefits for eligible salaried employees and provides that a participant’s benefit derives from the accumulation of monthly compensation and interest credits. Compensation credits are calculated based upon the participant’s eligible compensation and age each month. Interest credits are calculated each month by applying an interest factor to the previous month’s ending balance. Participants may elect to receive their benefit in the form of an annuity or a lump sum. Part B of the plan was frozen to new participants effective December 31, 2016, which the active participation of certain participants was grandfathered subject to meeting participation requirements.

The second part is an arrangement which provides for grandfathered and suspended hourly participants a traditional pension benefit based upon service, final average compensation and age at termination. This plan was frozen since December 31, 1995, which the active participation of certain participants was grandfathered and the active participation of other participants was suspended.

DMFI currently meets and plans to continue to meet the minimum funding levels required under local legislation, which imposes certain consequences on DMFI’s defined benefit plan if it does not meet the minimum funding levels. DMFI has not made any contributions during the year.

DMFI does not expect to make contributions to the plan in calendar 2018.



Movement in net defined benefit (asset)/liability

The following table shows a reconciliation from the opening balances to the closing balances for net defined benefit liability (asset) and components for the Post-retirement medical benefits and Qualified retirement plans:

	Defined benefit obligation		Fair value of plan assets		Net defined benefit liability/(asset)	
	April 29, 2018	April 30, 2017	April 29, 2018	April 30, 2017	April 29, 2018	April 30, 2017
Balance at beginning of year	\$381,569	\$399,165	(\$304,618)	(\$315,823)	\$76,951	\$83,342
Included in profit or loss						
Current service cost	6,643	7,403	-	-	6,643	7,403
Past service cost	-	-	-	-	-	-
Plan administration cost	-	-	926	691	926	691
Interest cost/ (income)	14,898	15,968	(11,789)	(12,713)	3,109	3,255
	<u>21,541</u>	<u>23,371</u>	<u>(10,863)</u>	<u>(12,022)</u>	<u>10,678</u>	<u>11,349</u>
Included in OCI						
Remeasurements loss/(gain)						
- Actuarial loss/(gain) arising from:						
- financial assumptions	(8,295)	2,847	-	-	(8,295)	2,847
- demographic assumptions	(3,576)	(5,753)	-	-	(3,576)	(5,753)
- experience adjustment	(2,962)	(4,729)	-	-	(2,962)	(4,729)
- Return on plan assets excluding interest income	-	-	(5,875)	(8,321)	(5,875)	(8,321)
	<u>(14,833)</u>	<u>(7,635)</u>	<u>(5,875)</u>	<u>(8,321)</u>	<u>(20,708)</u>	<u>(15,956)</u>
Others						
Benefits paid	(28,050)	(33,332)	26,271	31,548	(1,779)	(1,784)
Balance at end of year	<u>\$360,227</u>	<u>\$381,569</u>	<u>(\$295,085)</u>	<u>(\$304,618)</u>	<u>\$65,142</u>	<u>\$76,951</u>

Represented by:

	Net defined benefit liability/(asset)	
	April 29, 2018	April 30, 2017
Post-retirement medical benefits plan	\$34,594	\$39,017
Qualified retirement plan	30,548	37,934
	<u>\$65,142</u>	<u>\$76,951</u>

During fiscal 2016, a change to the post-retirement benefits plan of certain non-union employees were made where current retiree medical and dental benefits were replaced for contributions to a health reimbursement arrangement (HRA) account. As a result of the plan amendment, the Group's defined benefit obligation decreased by \$40.7 million. A corresponding reduction against past service cost was recognized in the consolidated income statement during fiscal 2016.



Plan assets

Plan assets comprise:

	April 29, 2018	April 30, 2017
Interest bearing cash	\$10,038	\$4,681
Common collective trust funds		
- Fixed income	73,738	75,555
- Equity fund	107,320	113,164
Mutual funds		
- Equity funds	8,647	9,143
Debt Securities		
- Corporate	39,111	38,731
- Government	35,578	42,128
- Others	5,360	5,958
Other investments	15,293	15,258
Fair value of plan assets	\$295,085	\$304,618

The Board of Directors reviews the level of funding required for the retirement fund. Such a review includes the asset-liability matching (“ALM”) strategy and investment risk management policy. The Group’s ALM objective is to match maturities of the plan assets to the retirement benefit obligation as they fall due. The Group monitors how the duration and expected yield of the investments match the expected cash outflows arising from the retirement benefit obligation.

DMFI’s investment objectives are to ensure that the assets of its qualified defined benefit plan are invested to provide an optimal rate of investment return on the total investment portfolio, consistent with the assumption of a reasonable risk level, and to ensure that pension funds are available to meet the plan’s benefit obligations as they become due. DMFI believes that a well-diversified investment portfolio, including both equity and fixed income components, will result in the highest attainable investment return with an acceptable level of overall risk. DMFI’s investment policies and procedures are designed to ensure that the plan’s investments are in compliance with the Employee Retirement Income Security Act (“ERISA”).

Actuarial valuation

The funded obligations and plan assets are measured and valued with the advice of qualified actuary who carries out a full valuation annually. The last valuation of these obligations and plan was performed in April 2018 wherein the results of these valuations form the basis of the fair value of the funded obligations and plan assets as of April 29, 2018.



The principal actuarial assumptions used for accounting purposes expressed as weighted average were:

	April 29, 2018	April 30, 2017
Discount rate (per annum)	4.05% - 4.25%	4.15% - 4.25%
Future salary increases (per annum)	3.00% - 4.00%	3.00% - 4.00%
Current health care cost trend rate	7.10%	7.30%/7.50%
Ultimate health care cost trend rate	4.50%	4.00%

Since the defined benefit plans and other benefits liabilities are measured on a discounted basis, the discount rate is a significant assumption. The discount rate was determined based on an analysis of interest rates for high-quality, long-term corporate debt at each measurement date. In order to appropriately match the bond maturities with expected future cash payments, the Group utilised differing bond portfolios to estimate the discount rates for the defined benefits pension plans and for the postretirement benefits. The discount rate used to determine the defined benefit plans and for the postretirement benefits projected benefit obligation as of the balance sheet date is the rate in effect at the measurement date. The same rate is also used to determine the defined benefit pension plans and postretirement benefits for the following fiscal year. The long-term rate of return for defined benefits pension plans' assets is based on the Group's historical experience; the defined benefits pension plans' investment guidelines and the Group's expectations for long-term rates of return. The defined benefits pension plans' investment guidelines are established based upon an evaluation of market conditions, tolerance for risk and cash requirements for benefit payments.

Assumptions regarding future mortality have been based on published statistics and mortality tables.

The weighted average duration of DMFI's defined benefit retirement obligation for each year are as follows:

	Duration (years)	
	April 29, 2018	April 30, 2017
Qualified retirement plan	9.3	9.9
Post-retirement benefits plan	11.1	12.4
Executive retirement plans	6.5 - 10.7	5.6 - 11.7



The projected future benefit payments for the DMFI plan are as follows:

	Normal Retirement	Other than Normal Retirement	Total
Less than one year	\$28,541	\$2,472	\$31,013
More than one year to five years	109,416	9,759	119,175
More than five years	122,406	11,352	133,758

The weighted-average asset allocation of the Group's pension plan assets and weighted-average target allocation as of the measurement date from date of incorporation to April 29, 2018 is as follows:

	April 29, 2018	Target Allocation Range
Equity securities	\$115,967	40%
Debt securities	153,787	53%
Other	25,331	7%
Total	<u>\$295,085</u>	<u>100%</u>

The plan exposes the Group to market risk.

The Board of Directors approves the percentage of asset to be allocated for fixed income instruments and equities. The retirement plan has set maximum exposure limits for each type of permissible investments in marketable securities and deposit instruments. The Board of Directors may, from time to time, in the exercise of its reasonable discretion and taking into account existing investment opportunities, review and revise such allocation and limits.

Source of estimation uncertainty

Pension expense and pension assets/liabilities are determined using certain actuarial estimates and assumptions relating to the discount rate used in valuing the subsidiary's defined benefit obligations and future experiences such as the rate of return on plan assets, future salary increases, retirement date or age, mortality and turnover rate of covered employees. These estimates and assumptions directly influence the amount of the pension assets/liabilities and expense recognized in the financial statements.

Sensitivity analysis

The calculation of the defined benefit obligation is sensitive to the assumptions set out above. The following table summarises how the defined benefit obligation at the end of reporting period would have increased/(decreased) as a result of a change in the respective assumptions by the respective percentages below.



Defined benefit obligation

	2018		2017	
	0.50% increase	0.50% decrease	0.50% increase	0.50% decrease
Discount rate	(\$13,502)	\$14,646	(\$15,217)	\$16,578
Future salary increases	\$1,364	\$(1,318)	\$1,522	\$(1,482)

The above sensitivities are based on the average duration of the benefit obligation determined at the date of the last full actuarial valuation at April 2018 and are applied to adjust the defined benefit obligation at the end of the report period for the assumptions concerned. Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation to the sensitivity of the assumption shown.

Sensitivity analysis

Post-retirement benefit obligation

	2018		2017	
	1.00% increase	1.00% decrease	1.00% increase	1.00% decrease
Health care cost trend rates	\$2,991	(\$2,501)	\$3,994	(\$3,284)
	0.50% increase	0.50% decrease	0.50% increase	0.50% decrease
Discount rate	(\$1,770)	\$1,953	(\$2,223)	\$2,471

Accumulated Postretirement Benefit Obligation

The Accumulated Postretirement Benefit Obligation is computed in accordance with IAS 19 *Employee Benefits*. This quantity is the actuarial present value of all benefits attributed under the projected unit credit method to service rendered prior to a particular date. Prior to an employee's full eligibility date, the accumulated postretirement benefit obligation as of a particular date for an employee is the portion of the expected postretirement benefit obligation attributed to that employee's service rendered to that date; on and after the full eligibility date, the accumulated and expected postretirement benefit obligations for an employee are the same.

Source of estimation uncertainty

Accumulated postretirement benefit obligation is determined using certain actuarial estimates and assumptions relating to the annual rate(s) of change in the cost of health care benefits currently provided by the postretirement benefit plans due to factors other than changes in the composition of the plan population by age and dependency status, for each year from the measurement date until the end of the period in which benefits are expected to be paid. These estimates and assumptions directly influence the amount of the pension assets/liabilities and expense recognized in the financial statements.



Multi-employer plans

The Group participates in several multi-employer pension plans, which provide defined benefits to covered union employees. Contribution rates to the multi-employer plans are provided in the collective bargaining agreements for the covered union employees. The contribution rates are expressed in terms of specific amounts to be contributed based on hours worked by covered union employees. The Group made contributions of \$6.1 million, \$7.1 million and \$6.7 million during fiscal 2018, 2017 and 2016, respectively.

The risks of participating in the multi-employer pension plans are as follows:

- assets contributed to the multi-employer plan by the Group may be used to provide benefits to employees of other participating employers;
- if a participating employer stops contributing to the plan, the unfunded obligations of the plan allocable to such withdrawing employer may be partially borne by the Group; and
- if the Group stops participating in some of its multi-employer pension plans, the Group may be required to pay those plans an amount based on its allocable share of the underfunded status of the plan, referred to as a withdrawal liability.

Defined Contribution Plans

The Group participates in several defined contribution plans. Group contributions to these defined contribution plans are based on employee contributions and compensation. The expense recognized under these plans for the year ended April 29, 2018 was \$4.8 million (April 30, 2017: \$4.3 million; May 1, 2016: \$4.7 million).

Other plans

The Group has various other nonqualified retirement plans and supplemental retirement plans for executives, designed to provide benefits in excess of those otherwise permitted under the Group's qualified retirement plans. These plans are unfunded and comply with IRS rules for nonqualified plans.

19. Derivative instruments

The Group uses interest rate swaps, commodity swaps and foreign currency forward contracts to hedge market risks relating to possible adverse changes in interest rates, commodity costs, transportation and foreign currency exchange rates. The Group continually monitors its positions and the credit rating of the counterparties involved to mitigate the amount of credit exposure to any one party.

As of April 29, 2018 and April 30, 2017, the Group designated each of its derivative contracts as a hedge of a highly probable forecasted transaction or of the variability of cash flows to be



received or paid related to a recognized asset or liability (“cash flow hedge”). The following fair value of the cash flow hedges were outstanding for the Group:

	April 29, 2018	April 30, 2017
Interest rate swap valuation	(\$5,018)	(\$17,891)
Peso FX contracts	-	2,565
Commodity contracts	259	38
Total	(\$4,759)	(\$15,288)
 <i>Included in :</i>		
Prepaid and Other – Current Assets	\$304	\$2,685
Derivative Liabilities – Current Liabilities	(3,260)	(9,531)
Derivative Liabilities – Non Current Liabilities	(1,803)	(8,442)
	(\$4,759)	(\$15,288)

The effect of cash flow hedges in the consolidated income statement were as follows:

	April 29, 2018	April 30, 2017	May 1, 2016
Commodity contracts	(\$1,381)	(\$984)	\$6,075
Foreign exchange contract	(3,422)	787	3,067

At April 29, 2018, \$3.5 million (April 30, 2017: \$7.6 million; May 1, 2016: \$12.3 million) are expected to be reclassified from OCI to the consolidated income statement within the next 12 months.

Interest Rates

As of April 29, 2018 and April 30, 2017, the Group designated each of its derivative contracts as a hedge of the variability of cash flows to be received or paid related to a recognized asset or liability (“cash flow hedge”). Significant terms of the interest rate swap contracts are as follows:

April 29, 2018 and April 30, 2017

Contract Date	Notional amount (in millions)	Fixed LIBOR Rate	Effective Date	Maturity Date
March 19, 2014	113	2.44%	February 18, 2016	February 18, 2018
March 19, 2014	130	2.79%	February 18, 2016	February 18, 2019
March 19, 2014	284	3.30%	February 18, 2016	February 18, 2021

Commodities

Certain commodities such as diesel fuel and natural gas (collectively, “commodity contracts”) are used in the production and transportation of the Group’s products. Generally these commodities are purchased based upon market prices that are established with the vendor as part of the purchase process. The Group may use futures, swaps, and swaption or option contracts, as deemed



appropriate; to reduce the effect of price fluctuations on anticipated purchases. These contracts may have a term of up to 24 months. The Group accounts for these commodity derivatives as cash flow hedges. The effective portion of derivative gains and losses is deferred in equity and recognized as part of cost of products sold in the appropriate period and the ineffective portion is recognized as cost of products sold.

The notional amounts of the Group's commodity contracts were as follows as of the dates indicated:

	<u>April 29, 2018</u>	<u>April 30, 2017</u>
Natural gas (MMBTU)	1,125	-
Diesel (gallons)	-	2,569

Foreign Currency

From time to time, the Group manages its exposure to fluctuations in foreign currency exchange rates by entering into forward contracts to cover a portion of its projected expenditures paid in local currency. These contracts may have a term of up to 24 months. The Group accounted for these contracts as cash flow hedges.

The notional amounts (in Mexican pesos) of the Group's foreign currency contracts were as follows as of the dates indicated:

	<u>April 29, 2018</u>	<u>April 30, 2017</u>
Mexican pesos	-	363,000

20. Environmental remediation liabilities

	<u>April 29, 2018</u>	<u>April 30, 2017</u>
At beginning of the year	\$6,198	\$6,313
Provisions released	(5,837)	-
Provisions used during the year	(78)	(195)
Reclass to current portion	(170)	-
Provisions made during the year	31	80
At end of the year	<u>\$144</u>	<u>\$6,198</u>

Provision for environmental remediation relates to legal or constructive obligations incurred by the Group in connection with its operations. In connection with sales of property in Rochelle, Illinois and Turkey, North Carolina, \$4.0 million and \$1.8 million, respectively, of environmental provisions were released in fiscal 2018.



21. Trade and other payables

	April 29, 2018	April 30, 2017
Trade payables	\$94,696	\$97,217
Accrued operating expenses	45,111	47,683
Withheld from employees (taxes and social security cost)	311	270
Book overdrafts	3,606	12,191
Other payables	3,768	2,778
	<u>\$147,492</u>	<u>\$160,139</u>

22. Revenue

Revenue of the Group comprises gross invoiced sales, net of discounts and returns, and is recognized when goods are delivered and title has passed to customers. All intra-group transactions have been excluded from Group revenue.

As of year-end, the Group's current portion of deferred income comprised the following:

	April 29, 2018	April 30, 2017
Advances from customers	\$13,926	\$ -
Other	-	346
	<u>\$13,926</u>	<u>\$346</u>



23. Significant expenses by nature

The following items have been included in Cost of sales, Distribution and selling expenses, and General and administrative expenses for the year:

	April 29, 2018	April 30, 2017	May 1, 2016
Raw materials and packaging materials	\$825,088	\$854,143	\$880,390
Inventory write-downs	24,502	22,923	23,951
Distribution expense	204,523	219,961	231,999
Brokerage	17,747	19,996	17,826
Depreciation of property, plant and equipment	47,250	37,949	47,662
Impairment of property, plant and equipment	24,672	-	5,000
Amortization of intangible assets	7,766	9,330	9,308
Provision for impairment of trade receivables	249	117	47
Audit fees	950	1,164	1,895
Legal expenses	5,051	6,265	4,436
Other professional and contracted services	39,117	47,690	45,521
Operating lease rentals	45,708	46,305	41,764
Staff costs:			
Pension costs – defined benefit pension plan*	6,075	7,119	(17,951)
Pension costs – provident fund	4,842	4,540	4,703
Social security costs	15,851	17,532	19,135
Value of employee services received under share-based incentive plans	348	794	552
Wages, salaries and other benefits	273,409	288,920	291,285

*Includes effect of post-retirement medical plan modification for fiscal 2016.

24. Other income (expenses) – net

	April 29, 2018	April 30, 2017	May 1, 2016
Gain on debt repurchase	\$35,646	\$ -	\$ -
Net realizable value impairment	(13,080)	-	-
Plant closure costs	(9,284)	-	(3,511)
Sale of Sager Creek	(11,379)	-	-
Lease settlement	5,974	-	-
Environmental reserve release, net	5,704	-	-
Unsettled hedge	-	1,058	(1,789)
Net gain on sale of assets held for sale	-	1,046	-
Foreign exchange loss – net	(657)	(1,028)	(860)
Working capital settlement income	-	-	38,000
Miscellaneous	574	1,217	1,323
	\$13,498	\$2,293	\$33,163



On April 25, 2016, DMFI and Big Heart Pet Brands entered into a settlement agreement, under which Big Heart Pet Brands paid/refunded to DMFI \$38.0 million in full satisfaction of the post-closing working capital amount adjustment under the Purchase Agreement for the Consumer Food Business, resolving a previous dispute. This resulted to a settlement gain of \$38.0 million in fiscal 2016.

25. Net finance expense

	April 29, 2018	April 30, 2017	May 1, 2016
Interest expenses			
- Bank loans			
Discount amortization	(\$854)	(\$854)	(\$854)
Deferred financing fee amortization	(6,958)	(6,019)	(6,037)
Interest on loans and borrowings	(63,820)	(62,550)	(62,500)
- Interest rate swap reclassification adjustment	(8,351)	(11,399)	(2,302)
Interest income	562	-	-
Net finance expense	<u>(\$79,421)</u>	<u>(\$80,822)</u>	<u>(\$71,693)</u>



26. Income taxes

	<u>April 29, 2018</u>	<u>April 30, 2017</u>	<u>May 1, 2016</u>
Current tax expense			
- Current year	<u>\$730</u>	<u>\$1,005</u>	<u>\$1,544</u>
Deferred tax benefit			
- Origination and reversal of temporary differences	(27,121)	(19,280)	(3,591)
- Unrecognized deferred tax assets	2,199	11,428	-
- Change in tax rate	<u>26,937</u>	<u>-</u>	<u>-</u>
Deferred tax expense (benefit), net	<u>2,015</u>	<u>(7,852)</u>	<u>(3,591)</u>
Income tax expense (benefit)	<u><u>\$2,745</u></u>	<u><u>(\$6,847)</u></u>	<u><u>(\$2,047)</u></u>
Reconciliation of effective tax rate			
Profit (loss) before taxation	<u>(\$107,351)</u>	<u>(\$48,359)</u>	<u>\$28,147</u>
Taxation on profit at weighted average of the applicable tax rates	(26,301)	(18,377)	10,696
Non-taxable income	-	-	(14,720)
Unrecognized deferred tax assets	2,199	11,428	1,977
Change in tax rate	26,937	-	-
Other	<u>(90)</u>	<u>102</u>	<u>-</u>
Income tax expense (benefit)	<u><u>\$2,745</u></u>	<u><u>(\$6,847)</u></u>	<u><u>(\$2,047)</u></u>
	<u>April 29, 2018</u>	<u>April 30, 2017</u>	<u>May 1, 2016</u>
Applicable tax rates			
- United States of America	24.5%	38.0%	38.0%
- Mexico	30.0%	30.0%	30.0%

On December 22, 2017, the United States enacted the Tax Cuts and Jobs Act (“Act”). The Act lowered the U.S. federal statutory income tax rate from 35% to 21% effective January 1, 2018.

Company

There is no tax expense for the Company as the income of the Company is exempt from all income taxes in the British Virgin Islands.



Sources of estimation uncertainty

The Group has exposure to income taxes in several foreign jurisdictions. Significant judgment is involved in determining the group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognizes liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognized, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

27. Seasonality of operations

The Group's business is subject to seasonal fluctuations as a result of increased demand during the holiday season. Products are sold heavily during the Thanksgiving and Christmas period. As such, the sales are usually highest during the three months from August to October.

The Group operates 12 production facilities as of April 29, 2018 (14 production facilities as of April 30, 2017) in the U.S. and Mexico. Fruit plants are located in California and Washington, vegetable plants are located primarily in the Midwest and the tomato plant is located in California.

The Group has a seasonal production cycle that generally runs between the months of June and October. This seasonal production primarily relates to the majority of processed fruit, vegetable and tomato products, while some of its processed fruit and tomato products and its *College Inn* broth products are produced throughout the year. Additionally, the Group has contracts to co-pack certain processed fruit and vegetable products for other companies.

28. Stock option and incentive plans

Stock Option Programs

The 2014 Equity Compensation Plan (ECP) was adopted by the Board of Directors of DMFHI effective September 24, 2014. The 2014 Plan provided for the grant of stock options to key executives.

During fiscal 2015, DMFHI granted 7,065,000 stock options under the ECP. The options granted were subject to service-based and performance-based vesting and vested annually over seven years and had a term of 10 years. The grant date fair value of these options was \$1.22.

As of May 3, 2015, 2,265,000 shares options were available for future grant. However, in September 2015, the 2014 ECP was cancelled with none of the granted options vested as of termination of the plan.

During the second quarter of fiscal 2016, DMFHI established a new plan, the 2015 Executive Long-Term Incentive Plan (LTIP), which intends to provide key executives with the opportunity to receive grants of stock options, cash-based awards and other stock-based awards. 9,000,000 shares of common stock of DMFHI were reserved for grant under the plan. In fiscal 2016, the Company granted nonqualified stock options and cash incentive awards under the plan.



During the third quarter of fiscal 2016, DMFHI granted 7,405,000 stock options under a nonqualified stock option grant agreement. The options granted are subject to service-based and performance-based vesting and vest over forty-four (44) months and have a term of ten (10) years. A portion of the total options will vest each year depending on the attainment of defined EBITDA targets and a portion will vest when the employee remains employed for a period of forty-four (44) months from the grant date until the defined exercisability date. The grant date fair value of these options is \$2.04.

In September 2016, the authorized shares reserved for grant under the plan was increased from 9,000,000 to 15,000,000. As of April 29, 2018 and April 30, 2017, 13,577,999 and 12,240,408 share options were available for future grant, respectively.

The fair values of the stock options granted were estimated at the date of grant using a Black-Scholes option pricing model. This model estimates the fair value of the options based on a number of assumptions, such as expected option life, interest rates, the current fair market value and expected volatility of common stock and expected dividends. The expected term of options granted was based on the “simplified” method. Expected stock price volatility was determined based on the historical volatilities of comparable companies over a historical period that matches the expected life of the options. The risk-free interest rate was based on the expected U.S. Treasury rate over the expected life. The dividend yield was based on the expectation that no dividends will be paid. The following table presents the weighted-average assumptions for performance-based stock options granted for the grant dates indicated:

	November 3, 2015
Expected life (in years)	5.5
Expected volatility	38.49%
Risk-free interest rate	1.64%
Dividend yield	0%

Stock option activity and related information during the years indicated was as follows:

	2018		2017	
	Number of options	Weighted- average exercise price	Number of options	Weighted- average exercise price
Outstanding at beginning of year	2,759,592	\$5.39	6,620,000	\$5.39
Cancelled	(64,302)	5.39	(3,059,800)	5.39
Granted	-	-	-	-
Forfeited	(1,273,289)	5.39	(800,608)	5.39
Exercised	-	-	-	-
Outstanding at end of year	1,422,001	\$5.39	2,759,592	\$5.39
Exercisable at end of year	-	-	-	-

The expense recognized in the consolidated income statement for equity-settled share based compensation amounted to \$348, \$794 and \$552 in fiscal 2018, 2017 and 2016, respectively, and were included in “Wages, salaries and other benefits”.



Cash Incentive Award

On November 3, 2015, DMFHI granted a total cash incentive of \$13.8 million to key executives under cash incentive award agreements. The awards will vest when the employee remains employed for a period of approximately four (4) years from the grant date until the defined vesting date. Of the total grant, \$6.1 million and \$7.3 million remained outstanding as of April 29, 2018 and April 30, 2017, respectively.

In December 2017, DMFI granted an additional \$4.6 million in cash incentives to key executives under cash incentive award agreements. The awards will vest when the employee remains employed for a period of approximately two years from the grant date until the defined vesting date. Additionally, some of the grants require the employee to meet certain performance criteria. As of April 29, 2018, \$4.6 million remained outstanding.

In March 2018, DMFI granted an additional \$0.3 million in cash incentives to key executives under cash incentive award agreements. The awards will vest when the employee remains employed for a period of approximately one to two years from the grant date until the defined vesting date. As of April 29, 2018, \$0.3 million remained outstanding.

The accrued net obligation for the cash incentives amounted to \$5.7 million and \$3.7 million as of April 29, 2018 and April 30, 2017, respectively, and the total expense recognized under “Wages, salaries and other benefits” in the consolidated income statement amounted to \$2.9 million, \$3.4 million and \$1.8 million in fiscal 2018, 2017 and 2016, respectively.

29. Capital management

The Board’s policy is to maintain a sound capital base to maintain investor, creditor and market confidence and to sustain future development of the business. The Group’s capital comprises its share premium and reserves. The Board of Directors monitors the return on capital, which the Group defines as profit or loss for the year divided by total shareholders’ equity. The Board also monitors the level of dividends paid to ordinary shareholders.

The bank loans of the Group contain various capital covenants with respect to capital maintenance and ability to incur additional indebtedness. The Board ensures that loan covenants are considered as part of its capital management through constant monitoring of covenant results through interim and full year results.

There were no changes in the Group’s approach to capital management during the year.

30. Financial risk management

The Group has exposure to the following risks from financial instruments:

- credit risk
- liquidity risk
- market risk
 - foreign exchange risk
 - interest rate risk
 - commodity price risk



Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Audit and Risk Committee is responsible for monitoring the Group's risk management policies developed by management.

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits.

Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit and Risk Committee oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Audit and Risk Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit and Risk Committee.

Financial risk management objectives and policies

Risk management is integral to the whole business of the Group. The Group has a system of controls in place to create an acceptable balance between the cost of risks occurring and the cost of managing the risks. The Board continually monitors the Group's risk management process to ensure that an appropriate balance between risk and control is achieved.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers. The carrying amounts of financial assets in the statement of financial position represent the Group's maximum exposure to credit risk, before taking into account any collateral held. The Group and Company do not hold any collateral in respect of their financial assets.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Group's customer base, including the default risk of the industry and countries in which customers are located, as these factors may have an influence on credit risk.

The Audit and Risk Committee has approved a credit policy under which each new customer is analyzed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes credit ratings, where available, and in some cases bank references. Purchase limits are established for each customer, which represents the maximum open amount. Customers failing to meet the Group's benchmark credit worthiness may transact with the Group only on a prepayment or Letters of Credit basis.



Exposure to credit risk

At the reporting date, the maximum exposure to credit risk for loans and receivables is geographically concentrated in the Americas region.

A relatively limited number of customers account for a large percentage of the Group's total sales. One customer accounted for approximately 29% of list sales for the year ended April 29, 2018 (April 30, 2017: 28%), which approximates gross sales. The customer accounted for approximately 22% of trade accounts receivable as of April 29, 2018 (April 30, 2017: 26%). The Group's top ten customers accounted for approximately 66% of list sales for the year ended April 29, 2018 (April 30, 2017: 64%). The Group closely monitors the credit risk associated with its customers.

Impairment losses

The aging of trade and other receivables that were not impaired at the reporting date was as follows:

	April 29, 2018	April 30, 2017
Not past due	\$80,076	\$68,095
Past due 0 - 60 days	1,397	14,898
Past due 61 - 90 days	949	1,743
Past due 91 - 120 days	988	1,163
More than 120 days	4,318	4,694
<i>11</i>	<u>\$87,728</u>	<u>\$90,593</u>

The Group believes that the unimpaired amount past due by more than 60 days are still collectible in full, based on historical payment behavior and extensive analysis of customers' risk rating. An analysis of the credit quality of loans and receivables that are neither past due nor impaired indicates that they are of acceptable risk.

The Group sells its products through major distributors and buyers in various geographical regions. Management has a credit risk policy which includes, among others, the requirement of certain securities to ensure prompt observance and performance of the obligations of its distributors and other buyers from time to time. The Group monitors its outstanding trade receivables on an on-going basis.



The table below shows the credit quality of the Group's financial assets based on their historical experience with the corresponding third parties:

	<i>Note</i>	Grade A	Grade B	Grade C	Total
April 29, 2018					
Cash in bank	<i>13</i>	\$2,499	\$ -	\$ -	\$2,499
Trade and other receivables	<i>11</i>	-	87,728	149	87,877
Note receivables	<i>9</i>	-	7,744	-	7,744
		\$2,499	\$95,472	\$149	\$98,120
April 30, 2017					
Cash in bank	<i>13</i>	\$3,114	\$ -	\$ -	\$3,114
Trade and other receivables	<i>11</i>	-	90,593	130	90,723
		\$3,114	\$90,593	\$130	\$93,837

Grade A financial assets pertain to those cash that are deposited in reputable banks. Grade B includes receivables that are collected on their due dates even without an effort from the Group to follow them up, while receivables which are collected on their due dates provided that the Group made a persistent effort to collect them are included under Grade C receivables.

Cash and cash equivalents

Cash and cash equivalents are held with banks and financial institutions which are regulated. The Group's cash in bank balances are all held in the Americas.

Apart from the above, the Group have no significant concentration of credit risk with any single counterparty or group counterparties.

Derivatives

The derivatives are entered into with banks and financial institutions which are regulated.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. 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's ability to borrow under the facility will remain limited at all times by the borrowing base (to the extent the borrowing base is less than the commitments).

The Group has the right to request an additional \$100.0 million plus an additional amount of secured indebtedness under the First Lien Term Loan and the Second Lien Term Loan. Lenders under this facility are under no obligation to provide any such additional loans, and any such borrowings will be subject to customary conditions precedent, including satisfaction of a prescribed leverage ratio, subject to the identification of willing lenders and other customary conditions precedent.



The following are the expected contractual undiscounted cash outflows of financial liabilities, including interest payments and excluding the impact of netting agreements:

	Carrying amount	Contractual cash flows	Less than 1 year	1-5 years	More than 5 years
April 29, 2018					
Derivative financial liabilities					
Interest rate swaps used for hedging, net-settled	\$5,018	\$3,941	\$2,264	\$1,676	\$ -
Non-derivative financial liabilities					
Secured bank loans					
- Short-term	10,250	17,100	17,100	-	-
- Long-term	794,638	1,014,914	65,151	949,763	-
Accrued lease liabilities	5,143	180,457	36,730	108,389	35,338
Trade and other payables	147,492	147,492	147,492	-	-
	<u>\$962,541</u>	<u>\$1,363,904</u>	<u>\$268,737</u>	<u>\$1,059,828</u>	<u>\$35,338</u>
	Carrying amount	Contractual cash flows	Less than 1 year	1-5 years	More than 5 years
April 30, 2017					
Derivative financial liabilities					
Interest rate swaps used for hedging, net-settled	\$17,891	\$19,041	\$7,767	\$11,274	\$ -
Non-derivative financial liabilities					
Secured bank loans					
- Short-term	169,114	175,100	175,100	-	-
- Long-term	922,294	1,179,973	55,000	1,124,973	-
Accrued lease liabilities	4,614	165,054	32,671	84,320	48,063
Trade and other payables	160,485	160,485	160,485	-	-
	<u>\$1,274,398</u>	<u>\$1,699,653</u>	<u>\$431,023</u>	<u>\$1,220,567</u>	<u>\$48,063</u>

The Group's bank loans contain loan covenants, for which breaches may require the Group to repay the loans earlier than indicated in the above table. If not waived or amended, the covenants are constantly monitored on a regular basis by the treasury department and regularly reported to management to ensure compliance.

For derivative financial liabilities, the disclosure shows net cash from amounts for derivatives that are net cash settled.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.



Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and commodity prices, will affect the Group's income due to changes in fair value or future cash flows of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. The market risk exposure of the Group comprise of foreign exchange risk, interest rate risk and commodity price risk.

Foreign exchange risk

The Group is exposed to foreign exchange risk from its subsidiaries operating in foreign countries, which generate revenue and incur costs in foreign currencies, and from those operations of its local subsidiaries, which are in foreign currencies. The currency giving rise to this risk is primarily the US dollar and Mexican peso.

Group entities maintain their respective books and accounts in their functional currencies. As a result, the Group is subject to transaction and translation exposures resulting from currency exchange rate fluctuations.

From time to time, the Group manages its exposure to fluctuations in foreign currency exchange rates by entering into forward contracts to cover a portion of its projected expenditures paid in foreign currency. The Group accounts for these contracts as cash flow hedges.

At the reporting date, the Group's exposure to the Mexican peso is as follows:

	April 29, 2018	April 30, 2017
Trade and other receivables	\$1,241	\$1,433
Cash	343	183
Trade and other payables	(5,954)	(4,581)
	<u>(\$4,370)</u>	<u>(\$2,965)</u>

Sensitivity analysis

A 10% strengthening of the Group entities' foreign currencies against their respective functional currency at the reporting date would have (decreased)/increased loss/profit before taxation and equity by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

A 10% weakening of the Group entities' foreign currencies against their respective functional currency would have the equal but opposite effect on the amounts shown below, on the basis that all other variables remain constant.



	Mexican Peso	
	Loss/profit before taxation	Equity
April 29, 2018		
10% strengthening	(\$239)	\$ -
10% weakening	\$239	\$ -
April 30, 2017		
10% strengthening	(\$123)	\$1,866
10% weakening	\$123	(\$1,866)

Interest rate risk

The Group's cash balances are placed with reputable global banks and financial institutions. The Group manages its interest rate risks by placing the cash balances with varying maturities and interest rate terms. The Group obtains financing through bank borrowings and leasing arrangements. Funding is obtained from bank loan facilities for both short-term and long-term requirements.

Interest rate profile of interest bearing financial instruments

The interest rate profile of the Group's interest bearing financial instruments as reported to management of the Group is as follows:

	April 29, 2018	April 30, 2017
Variable rate instruments		
Loans and borrowings	\$804,888	\$1,091,408
Interest rate swaps	5,018	17,891
	\$809,906	\$1,109,299



Cash flow sensitivity analysis for variable rate instruments

At the reporting date, if interest rates had moved as illustrated in the table below, with all other variables held constant, profit/loss before tax in the next 12 months and equity would have been affected as follows:

	<u>Loss/profit before taxation</u>	<u>Equity - hedging reserve</u>
April 29, 2018		
100 basis points increase	(\$4,117)	(\$7,831)
100 basis points decrease	\$4,117	\$6,405
April 30, 2017		
100 basis points increase	(\$5,879)	(\$10,532)
100 basis points decrease	\$5,879	\$4,688

Commodity price risk

Certain commodities such as diesel fuel and natural gas (collectively, “commodity contracts”) are used in the production and transportation of the Group’s products. Generally these commodities are purchased based upon market prices that are established with the vendors as part of the procurement process. The Group uses futures, swaps, and swaption or option contracts, as deemed appropriate, to reduce the effect of price fluctuations on anticipated purchases. These contracts may have a term of up to 24 months.

Sensitivity analysis

A 10% change in commodity prices at the reporting date would have decreased/(increased) profit/loss before tax and increased/(decreased) equity by the amounts shown below.

	<u>April 29, 2018</u>		<u>April 30, 2017</u>	
	<u>Profit/loss before tax</u>	<u>Equity</u>	<u>Profit/loss before tax</u>	<u>Equity</u>
10% increase in commodity price	\$ -	\$19	(\$400)	\$ -
10% decrease in commodity price	\$ -	(\$19)	\$400	\$ -



31. Accounting classification and fair values

Fair values versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

	Note	Carrying amount			Fair value	Fair value Hierarchy
		Loans and receivables	Derivatives	Other financial liabilities		
April 29, 2018						
Cash	13	\$2,499	\$ -	\$ -	\$2,499	
Trade and other receivables	11	87,728	-	-	87,728	
Hedge contracts	12	-	304	-	304	Level 2
Note receivables	9	7,744			7,744	Level 2
		<u>\$97,971</u>	<u>\$304</u>	<u>\$ -</u>	<u>\$98,275</u>	<u>\$8,048</u>
Loans and borrowings	16	\$ -	\$ -	\$804,888	\$804,888	Level 2
Trade and other payables*	21	-	-	147,181	147,181	
Hedge contracts	19	-	5,063	-	5,063	Level 2
		<u>\$ -</u>	<u>\$5,063</u>	<u>\$952,069</u>	<u>\$957,132</u>	<u>\$695,764</u>

*Excludes taxes and social security cost withheld from employees

	Note	Carrying amount			Fair value	Fair value Hierarchy
		Loans and receivables	Derivatives	Other financial liabilities		
April 30, 2017						
Cash	13	\$3,114	\$ -	\$ -	\$3,114	
Trade and other receivables	11	90,593	-	-	90,593	
Hedge contracts	12	-	2,685	-	2,685	Level 2
		<u>\$93,707</u>	<u>\$2,685</u>	<u>\$ -</u>	<u>\$96,392</u>	<u>\$2,685</u>
Loans and borrowings	16	\$ -	\$ -	\$1,091,408	\$1,091,408	Level 2
Trade and other payables*	21	-	-	159,869	159,869	
Hedge contracts	19	-	17,973	-	17,973	Level 2
		<u>\$ -</u>	<u>\$17,973</u>	<u>\$1,251,277</u>	<u>\$1,269,250</u>	<u>\$945,234</u>

*Excludes taxes and social security cost withheld from employees



32. Determination of fair values

Fair value hierarchy

The table below analyzes recurring non-financial assets carried at fair value. The different levels are defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: unobservable inputs for the asset or liability.

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing the categorization at the end of each reporting period.

For purposes of the fair value disclosure, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

During the year, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods.

Measurement of fair values

	April 29, 2018			April 30, 2017		
	Level 2	Level 3	Totals	Level 2	Level 3	Totals
Financial assets						
Derivative assets	\$304	\$ -	\$304	\$2,685	\$ -	\$2,685
Non-financial assets						
Assets held for sale	-	5,504	5,504	-	-	-
Financial liabilities						
Derivative liabilities	5,063	-	5,063	17,973	-	17,973

Financial instruments

Fair value and fair value hierarchy information on financial instruments are disclosed in Note 31.



Valuation techniques and significant observable inputs

Summarized below are the valuation techniques used in measuring Level 2 and Level 3 fair values, as well as the significant unobservable inputs used.

Financial instruments measured at fair value

Type	Valuation technique
Forward exchange contracts	<i>Market comparison technique:</i> The fair values are based on brokers' quotes. Fair values reflect the credit risk of the instrument and include adjustments to take into account the credit risk of the Group and counterparty when appropriate.
Interest rate swaps	<i>Market comparison technique:</i> The fair values are calculated using a discounted cash flow analysis based on terms of the swap contracts and the observable interest rate curve. Fair values reflect the credit risk of the instrument and include adjustments to take into account the credit risk of the Group and counterparty when appropriate.
Commodity contracts	<i>Market comparison technique:</i> The commodities are traded over-the-counter and are valued based on the Chicago Board of Trade quoted prices for similar instruments in active markets or corroborated by observable market data available from the Energy Information Administration. The values of these contracts are based on the daily settlement prices published by the exchanges on which the contracts are traded.

Financial instruments not measured at fair value

Type	Valuation technique
Financial liabilities and Note receivable	<i>Discounted cash flows:</i> The fair value is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.
Other financial assets and liabilities	The carrying amounts of financial assets and liabilities with maturity of one year or less than one year (including trade and other receivables, cash and cash equivalents, and trade and other payables) are assumed to approximate their fair values.

Non-financial assets

The valuation techniques used for measuring the fair value of non-financial assets were as follows:

Assets	Valuation technique
Assets held for sale	<i>Market comparison technique and cost technique:</i> The valuation model considered quoted market prices for similar items when available, and depreciated replacement cost as appropriate.



33. Commitments

Operating lease commitments

The Group leases certain property, equipment and office and warehouse facilities. The leases typically run for an initial period of 2 to 25 years, with an option to renew the lease after that date. Some of the leases contain escalation clauses but do not provide for contingent rents. The Group determined that the significant risks and rewards incidental to ownership are retained by the lessors and classified these leases as operating leases.

Lease terms do not contain any restrictions on Group activities concerning dividends, additional debts or further leasing.

At the reporting date, the Group has commitments for future minimum lease payments under non-cancellable operating leases as follows:

	April 29, 2018	April 30, 2017
Within one year	\$36,730	\$32,671
Between one to five years	108,389	84,320
More than five years	35,338	48,063
	<u>\$180,457</u>	<u>\$165,054</u>

Purchase commitments

The Group has entered into non-cancellable agreements with growers, co-packers, packaging suppliers and other service providers with commitments generally ranging from one year to twenty years, to purchase certain quantities of raw products, including fruit, vegetables, tomatoes, packaging services and ingredients. At the reporting date, the Group has commitments for future minimum payments under non-cancellable agreements as follows:

	April 29, 2018	April 30, 2017
Within one year	\$276,836	\$311,617
Between one to five years	284,157	329,368
More than five years	417,949	443,525
	<u>\$978,942</u>	<u>\$1,084,510</u>



Future capital expenditures

The Group has planned capital expenditures for property, plant and equipment approved by the Board of Directors.

	April 29, 2018	April 30, 2017
Capital expenditures not provided for in the financial statements		
- approved by Directors and contracted for	\$7,760	\$10,369
- approved by Directors but not contracted for	31,500	100,000
	\$39,260	\$110,369

34. Contingencies

Legal proceedings

Consumer Food Business

As described in Note 1 and Note 7, the Group acquired the Consumer Food Business in February 2014. The matters described below arise in connection with the Consumer Food Business.

National Consumers League (NCL) vs. Del Monte Foods

In December 2017, Plaintiff (NCL) filed a complaint against DMFI in the Superior Court of the District of Columbia alleging that DMFI made a variety of false and misleading labeling claims with respect to certain of its tomato products in violation of the D.C. Consumer Protection Procedures Act. In April 2018, DMFI filed a Motion to Dismiss this case and a Motion for Rule 11 Sanction. The Court has ordered oral argument on these motions. The Group cannot at this time reasonably estimate a range of exposure, if any, of the potential liability.

Other

The Group is the subject of, or a party to, other various suits and pending or threatened litigation. While it is not feasible to predict or determine the ultimate outcome of these matters, the Group believes that none of these legal proceedings will have a material adverse effect on its financial position.

Source of estimation uncertainty

The Group, in the ordinary course of business, sets up appropriate provisions for its present legal or constructive obligations, if any, in accordance with its policies on provisions. In recognizing and measuring provisions, management takes risk and uncertainties into account.

No provision for probable losses arising from legal contingencies were recognized in the Group's consolidated financial statements as of April 29, 2018 and April 30, 2017.

As of April 29, 2018, provision for probable losses arising from environmental remediation amounted to \$2.4 million, \$0.1 million of which is non-current (April 30, 2017: \$6.7 million, \$6.2 million of which is non-current) (see Note 20).



As of April 29, 2018, provision for retained liabilities arising from workers' compensation claims amounted to \$26.0 million, \$22.2 million of which is non-current (April 30, 2017: \$27.2 million, \$23.4 million of which is non-current) (see Note 17).

35. Related parties

Related party transactions

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control. Related parties may be individuals or other entities.



Other than those disclosed elsewhere in the financial statements, transactions with related parties are as follows:

Category/ Transaction	Year	Transaction Amount	Outstanding Balance		Terms	Conditions
			Receivable	Payable		
Parent						
- Loan from parent	2018	\$92,083	\$ -	\$92,083	Due August 2021; interest bearing	Secured
	2017	-	-	-		
	2016	-	-	-		
- Loan from parent	2018	-	-	10	Due and demandable; non- interest bearing	Unsecured
	2017	-	-	10		
	2016	-	-	10		
- Administrative expenses	2018	134	191	-	Due and demandable; non- interest bearing	Unsecured
	2017	57	57	-		
	2016	-	-	-		
Under Common Control						
- Sale of goods and other charges	2018	5,187	2,350	-	Due and demandable; non- interest bearing	Unsecured; no impairment
	2017	2,508	197	1,790		
	2016	10,426	295	-		
- Purchases of goods	2018	201,513	-	243,892	Due and demandable; non- interest bearing	Unsecured
	2017	190,301	-	203,181		
	2016	111,287	-	70,439		
- Administrative expenses	2018	288	641	3,220	Due and demandable; non- interest bearing	Unsecured
	2017	978	641	2,932		
	2016	885	-	5,496		
Subsidiaries						
- Sale of goods	2018	-	-	-	Due and demandable; non- interest bearing	Unsecured
	2017	-	-	-		
	2016	1,324	-	-		
TOTAL	2018		\$3,182	\$339,205		
TOTAL	2017		\$895	\$207,913		
TOTAL	2016		\$295	\$75,945		

The transactions with related parties are carried out based on terms agreed between the parties which are comparable to arm's length transactions.

The Group has an agreement to source the majority of its pineapple requirements from a subsidiary of DMPL. Purchases under this agreement amounted to \$30.4 million, \$51.3 million and \$32.5 million for fiscal 2018, 2017 and 2016, respectively.



The Group has an arrangement whereby DMPL, through a subsidiary, sources certain raw materials and packaging materials. Purchases under this arrangement amounted to \$150.0 million and \$139.0 million for fiscal 2018 and 2017, respectively.

In fiscal 2018, 2017 and 2016, the Group accrued \$593, \$646 and \$614, respectively, for rental expenses and property management fees relating to the use of office spaces owned by a subsidiary of its parent, DMPL, and included under administrative expenses above.

DMPL extended a loan to DMFHII that was used to finance DMFHII's purchase of Second Lien Term Loans. The loan will mature in 2021 subject to the applicable interest rate. See Note 16.

Key management personnel compensation

Key management personnel of the Group are those persons having authority and responsibility for planning, directing and controlling the activities of the Group. The Directors of DMFI and key executive officers (excluding executive directors) are considered as key management personnel of the Group.

The key management personnel compensation is as follows:

	April 29, 2018	April 30, 2017	May 1, 2016
Key executive officers (excluding Directors):			
Short-term employee benefits	\$11,487	\$11,643	\$11,569
Post-employment benefits	1,476	1,587	1,606
Other long-term benefits	3,942	3,381	1,773
Termination benefits	2,438	5,744	1,712
Share-based compensation	348	794	552
	<u>\$19,691</u>	<u>\$23,149</u>	<u>\$17,212</u>



Supplemental Disclosures

The following information is intended to comply with the requirements in the Wisconsin Agriculture Producer Statute 126 and Agriculture, Trade and Consumer Protection Chapter 101.

Financial ratios

The following table represents the Group's current ratio and debt to equity ratio (as calculated in accordance with the above statutes) as of April 29, 2018:

Current ratio:

Current assets/ current liabilities	<u>\$753,475</u>	= 1.37
	548,839	

Debt to equity ratio:

Total liabilities/ total stockholder's equity	<u>\$1,453,050</u>	= 2.89
	502,878	

Allowance for Doubtful Accounts

The Group has an allowance for doubtful accounts totalling \$0.15 million, \$0.13 million, and \$0.10 million on April 29, 2018, April 30, 2017 and May 1, 2016, respectively. The method for determining the allowance is "specific identification" such that the Group reviews the accounts receivable balances and the aging and reserves for any balances that are determined to be uncollectible. Such balances may include those due from companies that are having financial trouble or filing bankruptcy, balances older than a year or balances that the Group has determined to be uncollectible for another reason. The Group does not have any accounts receivable balances that are older than a year that are not covered by the allowance for doubtful accounts. The Group does not have any non-trade notes or accounts receivables from an officer, director, employee, partner, or stockholder, or from a member of the family of any of those individuals. The Company does not have any notes or accounts receivables from a parent organization, a subsidiary, or affiliates, on a net basis.

