

Del Monte Foods Holdings Limited and Subsidiaries

Consolidated Financial Statements
May 3, 2020

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 May 3, 2020 and April 28, 2019, 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 May 3, 2020, April 28, 2019 and April 29, 2018, 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 May 3, 2020 and April 28, 2019, and its consolidated financial performance and its consolidated cash flows for the years ended May 3, 2020, April 28, 2019 and April 29, 2018 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.

AyCip Javier Velasco & Co.

Makati City, Philippines
August 7, 2020



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>	May 3, 2020	April 28, 2019
ASSETS			
Noncurrent Assets			
Property, plant and equipment	3,5	\$367,615	\$366,768
Intangible assets and goodwill	7	688,465	695,115
Deferred tax assets	8	144,437	108,275
Other noncurrent assets	9	7,944	11,403
Total Noncurrent Assets		1,208,461	1,181,561
Current Assets			
Inventories	10	391,050	541,418
Trade and other receivables	11	122,433	93,405
Prepaid and other current assets	12	56,807	16,876
Cash	13	7,363	2,872
		577,653	654,571
Assets held for sale	5,14	-	4,465
Total Current Assets		577,653	659,036
Total Assets		\$1,786,114	\$1,840,597
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		(384,500)	(272,303)
Reserves	15	(730)	15,294
Equity attributable to owners of the Company		319,770	447,991
Non-controlling interests	28	1,961	1,961
Total Equity		321,731	449,952
Noncurrent Liabilities			
Term loans	16	22,737	689,854
Noncurrent lease liabilities	3	81,175	-
Employee benefits	18	82,177	70,887
Environmental remediation liabilities	20	9,587	697
Deferred tax liabilities	8	1,092	1,092
Derivative liabilities	19	35	1,759
Intercompany payables	35	228,373	200,161
Other non-current liabilities	17	19,642	25,666
Total Non-current Liabilities		444,818	990,116
Current Liabilities			
Loans and borrowings	16	690,697	140,255
Current lease liabilities	3	25,096	-
Employee benefits	18	22,947	27,640
Trade and other payables	21	147,635	106,325
Derivative liabilities	19	8,846	2,201
Deferred income	22	407	530
Intercompany payables	35	122,913	123,348
Current tax liabilities		1,024	230
Total Current Liabilities		1,019,565	400,529
Total Liabilities		1,464,383	1,390,645
Total Equity and Liabilities		\$1,786,114	\$1,840,597

See Notes to the Consolidated Financial Statements.



DEL MONTE FOODS HOLDINGS LIMITED AND SUBSIDIARIES

Consolidated Income Statements

(In thousands of US dollars)

		Years Ended		
		May 3,	April 28,	April 29,
		2020	2019	2018
Net sales	22	\$1,529,840	\$ 1,421,317	\$1,654,226
Cost of sales	23	(1,260,823)	(1,188,919)	(1,405,393)
Gross profit		269,017	232,398	248,833
Distribution and selling expenses	23	(116,670)	(118,991)	(136,807)
General and administrative expenses	23	(120,857)	(111,768)	(153,454)
Other income (expenses) - net	24	(71,781)	12,364	13,498
Income (Loss) from operations		(40,291)	14,003	(27,930)
Net finance expense	25	(102,630)	(85,527)	(82,992)
Loss before taxation		(142,921)	(71,524)	(110,922)
Income tax expense – current	26	(1,505)	(1,279)	(730)
Income tax (expense) benefit – deferred	26	32,229	25,673	(1,140)
Loss		(\$112,197)	(\$47,130)	(\$112,792)

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		
		May 3, 2020	April 28, 2019	April 29, 2018
Loss		(\$112,197)	(\$47,130)	(\$112,792)
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 \$4,169, \$2,953 and (\$7,219), respectively	18	(16,782)	(3,725)	13,626
Items that will or may be reclassified subsequently to profit or loss:				
Currency translation differences		32	9	3
Effective portion of changes in fair value of cash flow hedges:	19			
Interest rate swaps, net of tax benefit (expense) of \$1,182, \$607 and (\$4,887), respectively		(3,642)	(1,871)	(1,298)
Foreign currency forwards – Peso, net of tax (expense) benefit of \$0, \$0 and \$975, respectively		-	-	(1,591)
Commodity swaps – Natural gas, net of tax benefit (expense) of \$713, (\$11) and \$11, respectively		(2,196)	35	(34)
Interest rate swaps - reclassification adjustments to profit or loss, net of tax expense of (\$2,131), (\$709) and (\$197), respectively	19	6,564	2,185	8,154
		758	358	5,234
Other comprehensive income (loss), net of tax		(16,024)	(3,367)	18,860
Total comprehensive loss		(\$128,221)	(\$50,497)	(\$93,932)

See Notes to the Consolidated Financial Statements.



DEL MONTE FOODS HOLDINGS LIMITED AND SUBSIDIARIES

Consolidated Statement of Changes in Equity

For the year ended May 3, 2020

(In thousands of US dollars)

	Attributable to Owners of the Company								Non-controlling Interests	Total equity
	Note	Capital stock	Additional paid-in capital	Translation reserve	Re-measurement of retirement plans	Hedging reserve	Deficit	Total		
2020										
At April 28, 2019		\$ -	\$705,000	\$276	\$17,760	(\$2,742)	(\$272,303)	\$447,991	\$1,961	\$449,952
Loss for the period		-	-	-	-	-	(112,197)	(112,197)	-	(112,197)
Other comprehensive income (loss)										
Currency translation differences		-	-	32	-	-	-	32	-	32
Re-measurement of retirement plans		-	-	-	(16,782)	-	-	(16,782)	-	(16,782)
Cash flow hedges		-	-	-	-	726	-	726	-	726
Total other comprehensive income (loss)		-	-	32	(16,782)	726	-	(16,024)	-	(16,024)
Total comprehensive income (loss)		-	-	32	(16,782)	726	(112,197)	(128,221)	-	(128,221)
At May 3, 2020		\$ -	\$705,000	\$308	\$978	(\$2,016)	(\$384,500)	\$319,770	\$1,961	\$321,731

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DEL MONTE FOODS HOLDINGS LIMITED AND SUBSIDIARIES

Consolidated Statement of Changes in Equity (continued)

For the year ended April 28, 2019

(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
2019									
At April 29, 2018	\$ -	\$705,000	\$267	\$21,485	(\$3,091)	(\$225,173)	\$498,488	\$1,694	\$500,182
Loss for the period	-	-	-	-	-	(47,130)	(47,130)	-	(47,130)
Other comprehensive income									
Currency translation differences	-	-	9	-	-	-	9	-	9
Re-measurement of retirement plans	-	-	-	(3,725)	-	-	(3,725)	-	(3,725)
Cash flow hedges	-	-	-	-	349	-	349	-	349
Total other comprehensive income	-	-	9	(3,725)	349	-	(3,367)	-	(3,367)
Total comprehensive income (loss)	-	-	9	(3,725)	349	(47,130)	(50,497)	-	(50,497)
Transactions with owners of the Company									
Contributions and distributions									
Share-based expense	-	-	-	-	-	-	-	267	267
At April 28, 2019	\$ -	\$705,000	\$276	\$17,760	(\$2,742)	(\$272,303)	\$447,991	\$1,961	\$449,952

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DEL MONTE FOODS HOLDINGS LIMITED AND SUBSIDIARIES

Consolidated Statement of Changes in Equity (continued)

For the year ended April 29, 2018

(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		
2018									
At April 30, 2017	\$ -	\$705,000	\$264	\$7,859	(\$8,322)	(\$112,381)	\$592,420	\$1,346	\$593,766
Loss for the year	-	-	-	-	-	(112,792)	(112,792)	-	(112,792)
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	(112,792)	(93,932)	-	(93,932)
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)	(\$225,173)	\$498,488	\$1,694	\$500,182

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		
		May 3, 2020	April 28, 2019	April 29, 2018
Cash flows from operating activities				
Loss		(\$112,197)	(\$47,130)	(\$112,792)
Adjustments for:				
Depreciation of property, plant and equipment	5	42,839	41,856	47,250
Amortization of right-of-use-asset	5	25,759	-	-
Amortization of intangible assets	7	6,650	6,650	7,766
Impairment losses on property, plant and equipment	5	40,810	2,079	24,672
Inventory write-downs	10	7,394	9,809	24,502
(Gain) loss on disposal of assets		2,559	(6,130)	(11,281)
Gain on debt repurchase	24	(1,716)	(11,977)	(35,646)
Share-based compensation expense	28	-	267	348
Net finance expense	25	102,630	85,527	82,992
Deferred income tax expense (benefit)	26	(32,229)	(25,673)	1,140
Cash flow hedges:				
Commodity hedge		-	(64)	(123)
Interest rate swaps		941	328	970
		83,440	55,542	29,798
Changes in:				
Other assets		(30,790)	6,322	1,424
Inventories		149,306	94,877	148,731
Trade and other receivables		(29,027)	8,064	16,848
Trade and other payables		22,058	(229,339)	15,045
Deferred revenue		(123)	10,895	13,579
Other liabilities		18,039	2,379	8,416
Operating cash flows		212,903	(51,260)	233,841
Income taxes paid		(883)	(584)	(2,090)
Net cash flows provided by/(used in) operating activities		212,020	(51,844)	231,751
Cash flows from investing activities				
Proceeds from disposal of assets	5	29,006	16,116	41,167
Purchase of property, plant and equipment		(19,495)	(21,092)	(30,937)
Net cash flows provided by/(used in) investing activities		9,511	(4,976)	10,230
Cash flows from financing activities				
Interest paid		(66,338)	(62,242)	(74,759)
Proceeds from short-term borrowings	16	255,800	341,172	287,071
Loans from parent	35	4,102	87,806	88,161
Principal payments on lease liability		(30,259)	-	-
Payments of debt related costs	16	-	(146)	(4,515)
Payments on short-term borrowings	16	(367,400)	(214,500)	(445,071)
Payments on long-term borrowings	16	(12,977)	(94,906)	(93,486)
Net cash flows provided by/(used in) financing activities		(217,072)	57,184	(242,599)
Net increase in cash		4,459	364	(618)
Cash at beginning of year		2,872	2,499	3,114
Effect of exchange rate changes on balances held in foreign currency		32	9	3
Cash at end of year	13	\$7,363	\$2,872	\$2,499

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 August 7, 2020.

1. Reporting entity

Del Monte Foods Holdings Limited (the “Company” or “DMFHL”) was incorporated in the British Virgin Islands on November 11, 2013. The Company is a majority-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 ultimate parent company of DMFHL is NutriAsia Inc.

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”). See Note 6.

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 its subsidiary, Del Monte Foods Inc. (“DMFI”), including under full and unconditional guarantees of DMFI’s Term Loan Credit Agreements and asset-based lending (“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. As of May 15, 2020, the Term Loan Credit Agreements have been fully paid down and settled (see Note 36).

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 year 2020 was a 53-week year and Fiscal 2019 and 2018 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	Lower of carrying amount or fair value less costs to sell

2.3 Functional and presentation currency

These consolidated financial statements are presented in United States (“US” or “\$”) 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 3 – Lease classification
- Note 6 – Deconsolidation of Del Monte Andina C.A.
- Note 7 – Assessment of intangible assets with indefinite useful life
- 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 lives of property, plant and equipment
- Note 7 – Useful lives 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 14 – Assets held for sale
- 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 estimated 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, 2019. Except as otherwise indicated, 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 April 29, 2019 include the following:

- **IFRS 16, Leases**

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17, *Leases*. The standard includes two recognition exemptions for lessees – leases of “low-value” assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the amortization expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today’s accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17.

The Group has existing lease arrangements involving office spaces, warehouses and equipment. The Group has applied IFRS 16 using the modified retrospective approach, under which there was no cumulative effect of initial application recognized in retained earnings as of April 29, 2019. Accordingly, the comparative information presented for fiscal year 2019 has not been restated. In relation to those leases under IFRS 16, the Group recognized amortization and interest costs, instead of operating lease expense.

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risk and rewards of ownership. Under IFRS 16, the Group recognizes right-of-use assets and lease liabilities for most leases. The Group also elected to use the recognition exemptions for short-term leases and low-value assets.



At transition, for leases classified as operating leases under IAS 17, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as of April 29, 2019. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The Group had no finance leases under IAS 17.

Right-of-use assets are presented in "Property, plant and equipment" and lease liabilities are presented separately in the consolidated statement of financial position. The impact of adoption of IFRS 16 on the consolidated statement of financial position as at April 29, 2019 is as follows:

Assets

Right-of-use assets - net	\$139,311
Deferred lease liability	5,211
Prepaid expenses and other current assets	<u>(2,156)</u>
	<u>\$142,366</u>

Liabilities

Lease liability - current portion	\$29,708
Lease liability - noncurrent portion	<u>112,658</u>
	<u>\$142,366</u>

The lease liabilities as of April 29, 2019 can be reconciled to the operating lease commitments as of April 28, 2019 as follows:

Operating lease commitment as at April 28, 2019	\$167,656
Less: Commitments relating to short-term/seasonal leases	<u>160</u>
Net operating lease commitments as at April 28, 2019	167,496
Weighted average incremental borrowing rate as at April 29, 2019	<u>5.58%</u>
Lease liability as at April 29, 2019	<u>\$142,366</u>

Total lease expense on short-term and variable lease payments for the year ended May 3, 2020 amounted to \$2.3 million and \$0.8 million, respectively. Total interest expense and lease payments amounted to \$7.5 million and \$30.3 million, respectively, while additions and early terminations amounted to \$0.3 million and \$6.1 million, respectively, for the year ended May 3, 2020. As of May 3, 2020, total lease liabilities amounted to \$106.3 million.

• **IFRIC 23, *Uncertainty over Income Tax Treatments***

IFRIC-23 clarifies how to apply the recognition and measurement requirements in IAS 12, *Income Taxes*, when there is uncertainty over income tax treatments.

The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12, *Income Taxes*, and does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

The interpretation specifically addresses the following:

- i. Whether an entity considers uncertain tax treatments separately



- ii. The assumptions an entity makes about the examination of tax treatments by taxation authorities
- iii. How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- iv. How an entity considers changes in facts and circumstances

An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed.

The interpretation is effective for annual periods beginning on or after April 29, 2019. Earlier application is permitted. The Group determined based on its tax compliance review utilizing the current guidance, that it is probable that uncertain tax treatments will be accepted by the taxing authorities. Accordingly, the adoption of this requirement did not have a material impact as of May 3, 2020.

- **Amendments to IFRS 9, *Prepayment Features with Negative Compensation***

Under IFRS 9, a debt instrument can be measured at amortized cost or at fair value through other comprehensive income (“FVOCI”), provided that the contractual cash flows are “solely payments of principal and interest on the principal amount outstanding” (“the SPPI criterion”) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. The basis for conclusions to the amendments clarified that the early termination can result from a contractual term or from an event outside the control of the parties to the contract, such as a change in law or regulation leading to the early termination of the contract. These amendments have no impact on the consolidated financial statements of the Group.

- **Amendments to IAS 28, *Long-term Interests in Associates and Joint Ventures***

The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long-term interests. The amendments also clarified that, in applying IFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognized as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28, *Investments in Associates and Joint Ventures*. These amendments are not applicable to the Group since interests in joint ventures is accounted for using the equity method.

- **Amendments to IAS 19, *Plan amendment, curtailment or settlement***

The amendments to IAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:



- i. Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event.
- ii. Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognized in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognized in other comprehensive income (“OCI”).

These amendments will apply to any future plan amendments, curtailments, or settlements of the Group. Accordingly, these amendments were applied in accounting for the Group’s amendments to the employee benefit plans (see Note 18).

- **Annual Improvements to IFRSs 2015-2017 Cycle**

This cycle of improvements contains amendments to the following standards relevant to the Group:

- i. *Amendments to IFRS 3, Business Combinations, and IFRS 11, Joint Arrangements, Previously Held Interest in a Joint Operation*

The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

A party that participates in, but does not have joint control of, a joint operation, might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in IFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

- ii. *Amendments to IAS 12, Income Tax Consequences of Payments on Financial Instruments Classified as Equity*

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognizes the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events.

- iii. *Amendments to IAS 23, Borrowing Costs, Borrowing Costs Eligible for Capitalization*

The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.



The adoption of this requirement did not have a material impact as of May 3, 2020.

3.2 Basis of consolidation

(i) Business combination

Business combinations are accounted for using the acquisition method in accordance with IFRS 3 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 (“NCI”) 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 consolidated 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 NCI to have a deficit balance.

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

(iii) 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 NCI and other components of equity. Any resulting gain or loss is recognized in the consolidated 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 consolidated income statement, except for differences which are recognized in 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 part of "Other income (expenses) – net" in the consolidated income statement.

(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 Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are initially measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The initial cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, lease payments made at or before the commencement date less any lease incentives received and estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of their estimated useful life and lease term. Right-of-use assets are subject to impairment.

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 consolidated 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 consolidated income statement as incurred.



(iii) Depreciation and amortization

Depreciation and amortization are based on the cost of an asset less its residual value, if any. 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 and amortization are recognized in the consolidated 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. Amortization is recognized from the date the finance lease commences.

The estimated useful lives of property, plant and equipment including right-of-use assets 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 and amortization 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 consolidated 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 consolidated income statement as incurred. The Group has not incurred capitalizable research and development expenditures during fiscal 2020, 2019 and 2018.



(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 consolidated 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 consolidated 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 Income Approach, which indicates the recoverable amount of an asset based on the value of the cash flows that the asset can be expected to generate in the future (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) Recognition and Initial Measurement

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument.

A financial asset, unless it is a receivable without a financing component, or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.



(ii) Classification and subsequent measurement

Financial assets

On initial recognition, the Group classifies its financial assets into the following categories: financial assets at amortized cost, financial assets at FVTPL, and financial assets at FVOCI. The classification depends on the Group's business model for managing financial instruments and the contractual cash flow characteristics of the financial instruments. Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated at FVTPL: (1) it is held within a business model whose objective is to hold assets to collect contractual cash flows; and (2) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated at FVTPL: (1) it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and (2) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The Group has no financial assets at FVOCI. See Note 3.8(vi) for derivative financial instruments, including hedging instruments.

Financial assets at amortized cost

These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Impairment losses on trade receivables are recognized under selling expenses. Any gain or loss on derecognition is recognized in profit or loss.

The Group's financial assets at amortized cost comprise cash, trade and other receivables, and note receivables.



Business model assessment

The business model refers to how an entity manages its financial assets in order to generate cash flows. It determines whether cash flows will result from collecting contractual cash flows, selling financial assets or both. The Group makes an assessment of the objective of the business model in which a financial asset is held at portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior period, the reasons for such sales and expectations about future sales activity.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Assessment Whether Contractual Cash Flows are Solely Payments of Principal and Interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).



A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including interest expense, are recognized in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

Financial liabilities at amortized cost comprise bank loans, trade, intercompany and other payables. See Note 3.8(vi) for derivative financial instruments, including hedging instruments.

(iii) Derecognition

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.

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.

(iv) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(v) Impairment

The Group recognizes impairment allowances for expected credit losses (“ECLs”) on financial assets measured at amortized cost.



ECLs are probability-weighted estimates of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e., the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive), discounted at the effective interest rate of the financial asset, and reflects reasonable and supportable information that is available without undue cost or effort about past events, current conditions and forecasts of future economic conditions.

Loss allowances are measured on either lifetime ECLs or 12-month ECLs. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date, or a shorter period if the expected life of the instrument is less than 12 months.

The Group measures loss allowances at an amount equal to lifetime ECLs, except for debt securities that are determined to have low credit risk at the reporting date and other debt securities and bank balances for which credit risk has not increased significantly since initial recognition, which are measured at 12-month ECLs.

Lifetime ECL measurement always applies for trade receivables and contract assets without a significant financing component.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing security (if any is held), or when the financial asset is more than 90 days past due.

The Group considers a debt security to have a low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'.

At each reporting date, the Group assesses whether financial assets at amortized cost are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired may include significant financial difficulty of the debtor, a breach of contract such as a default, the restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that the debtor or issuer will enter bankruptcy or other financial reorganization, the disappearance of an active market for that financial asset because of financial difficulties, adverse changes in the payment status of borrowers or issuers, or economic conditions that correlate with defaults.

Impairment allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets in the consolidated statement of financial position. The gross carrying amount of a financial asset is written-off when the Group has no realistic prospects of recovery of the asset.



See Note 30 for further information on the Group's ECLs including how they relate to the Group's credit risk management practices.

Policy before April 30, 2018

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 the carrying amount of the asset and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.

Losses are recognized in the consolidated 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 consolidated income statement.

(vi) 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 consolidated 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 also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other. To qualify for hedge accounting, the hedging relationship has to meet the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship;
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the entity actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item; and
- the hedged item and the hedging instrument are not intentionally weighted to create hedge ineffectiveness, whether recognized or not, to achieve an accounting outcome that would be inconsistent with the purpose of hedge accounting.

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 consolidated 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 consolidated 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 consolidated 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, except when a hedged forecast transaction subsequently results in the recognition of a non-financial item such as inventory, in which case the amount retained in OCI is included directly in the initial cost of the non-financial item when it is recognized.



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. When hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in OCI remains in equity until, for hedge of a transaction resulting in the recognition of a non-financial item, it is included in the non-financial item's cost on its initial recognition or, for other cash flow hedges, it is reclassified to the consolidated income statement in the same period or periods as the hedged expected future cash flows affect the consolidated income statement. If a hedged forecast transaction is no longer expected to occur, then the amount accumulated in equity is immediately reclassified to the consolidated income statement.

Policy before April 30, 2018

Before application of IFRS 9, 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. Other significant accounting policies of the Group on derivative financial instruments remain similar before and after the application of IFRS 9.

(vii) 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.

Deficit

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 years 2020, 2019 and 2018.

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 consolidated 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 Gilroy, California and Kenwood, Arkansas as held-for-sale as of April 28, 2019 (see Note 14). No assets were held for sale as of May 3, 2020.

3.11 Lease liabilities

At the commencement date of a lease, the Group will recognize a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. Lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate. The Group separately recognizes the interest expense on the lease liability and the amortization expense on the right-of-use asset.

The Group will remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The Group generally recognizes the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

The Group treats short-term leases (i.e., leases with a lease term of 12 months or less) and "low-value" assets (i.e., personal computers) as off-balance sheet.

Policy before April 29, 2019

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 consolidated 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 prepayments or accrued lease liabilities in the consolidated 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 28, 2019.

3.12 Employee benefits

(i) Defined contribution plans **(ii)**

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 consolidated income statement in the periods during which services are rendered by employees.

(iii) 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 2020, there were amendments to the employee benefit plans, eliminating certain benefits in fiscal 2020 and after fiscal 2022 (see Note 18).

(iv) 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.



(v) 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 consolidated 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).

(vi) 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.

(vii) 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.

(viii) 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.

3.14 Revenue recognition

Revenue is recognized when it transfers control over a product to a customer. Revenue is measured based on the consideration specified in the contract with a customer and excludes any amount collected on behalf of third parties.

Sales of goods

Sales of goods pertain to the delivery of processed, packaged and labelled food products to customers which constitutes a single performance obligation. Customers generally obtain control of goods when the goods are delivered to the specified destination.

Each contract with a customer specifies minimum quantity, fixed prices and effective period and is not subject to change for the contractual period unless mutually agreed by the parties. Invoices are usually payable within 30 days from delivery.

Certain customers are entitled to, and in most cases avail of, cash discounts when payments are made within a defined time frame. For certain contracts, the Group may be charged a penalty for late deliveries. Variable amounts related to these discounts and penalties are estimated using the most likely amount and included in the transaction price to the extent it is highly probable that a significant revenue reversal will not subsequently occur.

The Group provides allowances under trade promotions to customers and coupons to end consumers which are reimbursable by the Group to customers when redeemed. Allowances and coupons are generally considered as reductions of the transaction price and recognized at the later of when the Group recognizes revenue for the transfer of the related goods and when the Group pays or promises to pay the allowances or coupons.

Variable amounts related to these allowances and coupons are estimated using the expected value method and included in the transaction price to the extent it is highly probable that a significant revenue reversal will not subsequently occur. Accruals for trade promotions are based on expected levels of performance. Settlement 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. Evaluation of trade promotions are performed monthly and adjustments are made where appropriate to reflect changes in the Group's estimates. The Group accrues coupon redemption costs 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 may be required.

The Group's customers generally do not have the right to return products unless damaged or defective. Accordingly, returns are not considered as variable consideration and the related costs are accounted for as warranty provisions (see Note 3.13).

The Group recognizes a contract liability, presented under "Deferred income", for consideration received or due from a customer before the related revenue qualifies for recognition – e.g. receipt of payment in advance of the delivery of goods.

The Group recognizes a contract asset representing conditional rights to consideration in exchange for goods the Group transferred to a customer. The Group recognizes a trade receivable when the Group's right to consideration is or becomes unconditional. A right to consideration is unconditional if only the passage of time is required before payment of that consideration is due, which usually occurs when the Group issues an invoice for delivered 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 finance leases and borrowings. All finance lease borrowing costs are recognized using the Group's incremental borrowing rate. 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 3, 2020. 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 the first annual reporting period that begins on or after January 1, 2020

- *Amendments to References to Conceptual Framework in IFRS Standards* sets out amendments to IFRS Standards, their accompanying documents and IFRS practice statements



to reflect the issuance of the revised Conceptual Framework for Financial Reporting in 2018 (2018 Conceptual Framework). The 2018 Conceptual Framework includes:

- a new chapter on measurement;
- guidance on reporting financial performance;
- improved definitions of an asset and a liability, and guidance supporting these definitions; and
- clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.

Some Standards, their accompanying documents and IFRS practice statements contain references to, or quotations from, the International Accounting Standards Committee (“IASC”)’s Framework for the Preparation and Presentation of Financial Statements adopted by the International Accounting Standards Board (“IASB”) in 2001 or the Conceptual Framework for Financial Reporting issued in 2010. The amendments update some of those references and quotations so that they refer to the 2018 Conceptual Framework, and makes other amendments to clarify which version of the Conceptual Framework is referred to in particular documents.

- *Definition of a Business (Amendments to IFRS 3 Business Combinations)*. The amendments narrowed and clarified the definition of a business. They also permit a simplified assessment of whether an acquired set of activities and assets is a group of assets rather than a business. The amendments:
 - confirmed that a business must include inputs and a process, and clarified that:
 - the process must be substantive; and
 - the inputs and process must together significantly contribute to creating outputs;
 - narrowed the definitions of a business by focusing the definition of outputs on goods and services provided to customers and other income from ordinary activities, rather than on providing dividends or other economic benefits directly to investors or lowering costs; and
 - added a test that makes it easier to conclude that a company has acquired a group of assets, rather than a business, if the value of the assets acquired is substantially all concentrated in a single asset or group of similar assets.

The amendments apply to business combinations and asset acquisitions in annual reporting periods beginning on or after January 1, 2020. Earlier application is permitted.

- *Definition of Material (Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors)*. The amendments refine the definition of material. The amended definition of material states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The amendments clarify the definition of material and its application by:
 - (a) raising the threshold at which information becomes material by replacing the term ‘could influence’ with ‘could reasonably be expected to influence’;
 - (b) including the concept of ‘obscuring information’ alongside the concept of ‘omitting’ and ‘misstating’ information in the definition;



- (c) clarifying that the users to which the definition refers are the primary users of general purpose financial statements referred to in the Conceptual Framework;
- (d) clarifying the explanatory paragraphs accompanying the definition; and
- (e) aligning the wording of the definition of material across IFRS Standards and other publications.

The amendments are expected to help entities make better materiality judgements without substantively changing existing requirements. The amendments apply prospectively for annual periods beginning on or after January 1, 2020. Earlier application is permitted.

- *Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)*. The amendments serve as a first reaction to the potential effects the interbank offered rate (“IBOR”) reform could have on financial reporting. The amendments are effective for annual reporting periods beginning on or after January 1, 2020.
- *Amendments to IFRS 16, COVID-19-related Rent Concessions*. The amendments provide relief to lessees from applying the IFRS 16 requirement on lease modifications to rent concessions arising as a direct consequence of the COVID-19 pandemic. A lessee may elect not to assess whether a rent concession from a lessor is a lease modification if it meets all of the following criteria:
 - The rent concession is a direct consequence of COVID-19;
 - The change in lease payments results in a revised lease consideration that is substantially the same as, or less than, the lease consideration immediately preceding the change;
 - Any reduction in lease payments affects only payments originally due on or before June 30, 2021; and
 - There is no substantive change to other terms and conditions of the lease.

A lessee that applies this practical expedient will account for any change in lease payments resulting from the COVID-19 related rent concession in the same way it would account for a change that is not a lease modification, i.e., as a variable lease payment.

Effective for the first annual reporting period that begins on or after January 1, 2021

- *Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)* provides a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date. The amendments are effective for annual reporting periods beginning on or after January 1, 2022.
- *Amendments to IFRS 3, Updating a Reference to the Conceptual Framework*. The amendments:
 - updated IFRS 3 by replacing a reference to an old version of the Conceptual Framework for Financial Reporting with a reference to the latest version, which was issued in March 2018;
 - Added an exception to the recognition principle of IFRS 3 to avoid the issue of potential ‘day 2’ gains or losses arising for liabilities and contingent liabilities; and



- Clarified existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022.

- *Amendments to IAS 16, Property, Plant and Equipment: Proceeds before Intended Use.* The amendments prohibit an entity from deducting from the cost of PPE amounts received from selling items produced while the company is preparing the asset for its intended use, instead, the entity will recognize such sales proceeds and related costs in profit or loss. The entity measures the cost of those items applying the measurement requirements of IAS 2, Inventories. The entity is required to disclose the amounts of proceeds and cost included in profit or loss and which line item(s) in the statement of comprehensive income include(s) such proceeds and cost if not presented separately.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022.

- *Amendments to IAS 37, Onerous Contracts - Cost of Fulfilling a Contract.* The amendments specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous. The cost of fulfilling a contract comprises the costs that relate directly to the contract which consist of both:
 - the incremental costs of fulfilling that contract – for example, direct labor and materials; and
 - an allocation of other costs that relate directly to fulfilling contracts — for example, an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling that contract among others.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022.

- *Annual Improvements to IFRS Standards 2018–2020 Cycle.* This cycle of improvements contains amendments to the following standards:
 - i. IFRS 1, *Subsidiary as a first-time adopter.* The amendment permits a subsidiary that applies paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent’s date of transition to IFRSs.
 - ii. IFRS 9, *Fees in the ‘10 per cent’ test for derecognition of financial liabilities.* The amendment clarifies which fees an entity includes when it applies the ‘10 per cent’ test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognize a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other’s behalf.
 - iii. IFRS 16, *Lease Incentives.* The amendment to Illustrative Example 13 accompanying IFRS 16 removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.



- iv. IAS 41, *Taxation in fair value measurements*. The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique. This will ensure consistency with the requirements in IFRS 13.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022.

- *IFRS 17 Insurance Contracts* establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. The objective of IFRS 17 is to ensure that an entity provides relevant information that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cash flows.

IFRS 17 was issued in May 2017 and applies to annual reporting periods beginning on or after January 1, 2023.

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, \$15.0 million on February 27, 2018, \$2.5 million on February 28, 2019 and \$5.0 million on February 28, 2020. The remaining \$2.5 million is due along with accrued interest on December 1, 2020. As of May 3, 2020, the Group has recorded current receivables of \$2.8 million in “Trade and Other Receivables”. As of April 28, 2019, the Group has recorded current receivables of \$5.4 million in “Trade and Other Receivables” and non-current receivables of \$2.7 million in “Other Non-current Assets” related to this sale (see Note 9). For the year ended 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 \$0.5 million and \$13.9 million in fiscal 2019 and 2018, respectively (see Note 5).

Sale of Inventory

During fiscal 2018, McCall Farms began selling the remainder of the Group’s Sager Creek inventories under an inventory sales agreement, serving as sales agent. The Group incurred \$0.4 million in sales commissions to McCall Farms for the year ended April 29, 2018.



During fiscal 2019, McCall Farms 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 was included in the net realizable value adjustment in fiscal 2018 (see Note 24). No sales commission was earned in this agreement. The remaining Sager Creek inventory not purchased by McCall Farms was sold by the Group during fiscal 2019.



5. Property, plant and equipment

	Buildings, land improvements and leasehold improvements	Machinery and equipment	Construction -in-progress	Freehold land	Right-of-use asset		Total
					Buildings, land improvements and leasehold improvements	Machinery and equipment	
Cost/Valuation							
At April 29, 2019, as previously reported	\$169,426	\$388,007	\$9,405	\$43,699	\$ -	\$ -	\$610,537
Adoption of IFRS 16	-	-	-	-	93,957	45,354	139,311
At April 29, 2019, as adjusted	169,426	388,007	9,405	43,699	93,957	45,354	749,848
Additions	-	-	20,656	-	24	273	20,953
Disposals	(10,798)	(33,623)	-	(2,929)	(1,829)	(7,177)	(56,356)
Reclassifications and other adjustments	(3,605)	(9,060)	(18,267)	228	-	-	(30,704)
At May 3, 2020	<u>\$155,023</u>	<u>\$345,324</u>	<u>\$11,794</u>	<u>\$40,998</u>	<u>\$92,152</u>	<u>\$38,450</u>	<u>\$683,741</u>
At April 29, 2018	\$175,960	\$361,178	\$22,469	\$49,184	\$ -	\$ -	\$608,791
Additions	-	-	21,728	-	-	-	21,728
Disposals	(7,948)	(4,332)	-	(839)	-	-	(13,119)
Reclassifications and other adjustments	1,414	31,161	(34,792)	(4,646)	-	-	(6,863)
At April 28, 2019	<u>\$169,426</u>	<u>\$388,007</u>	<u>\$9,405</u>	<u>\$43,699</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$610,537</u>



Accumulated depreciation, amortization and impairment losses					<u>Right-of-use asset</u>		Total
	Buildings, land improvements and leasehold improvements	Machinery and equipment	Construction -in-progress	Freehold land	Buildings, land improvements and leasehold improvements	Machinery and equipment	
At April 28, 2019	\$52,579	\$186,893	\$ -	\$4,297	\$ -	\$ -	\$243,769
Depreciation and amortization for the year	7,269	35,300	-	-	18,950	14,161	75,680
Disposals	(5,401)	(15,856)	-	-	(831)	(2,180)	(24,268)
Impairment losses	15,679	20,892	-	4,239	-	-	40,810
Reclassifications and other adjustments	(3,224)	(16,641)	-	-	-	-	(19,865)
At May 3, 2020	<u>\$66,902</u>	<u>\$210,588</u>	<u>\$ -</u>	<u>\$8,536</u>	<u>\$18,119</u>	<u>\$11,981</u>	<u>\$316,126</u>
At April 29, 2018	\$45,415	\$152,201	\$ -	\$4,297	\$ -	\$ -	\$201,913
Depreciation for the year	7,863	37,225	-	-	-	-	45,088
Disposals	(935)	(2,533)	-	-	-	-	(3,468)
Impairment losses	1,305	-	-	-	-	-	1,305
Reclassifications and other adjustments	(1,069)	-	-	-	-	-	(1,069)
At April 28, 2019	<u>\$52,579</u>	<u>\$186,893</u>	<u>\$ -</u>	<u>\$4,297</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$243,769</u>
Carrying amounts							
At May 3, 2020	<u>\$88,121</u>	<u>\$134,736</u>	<u>\$11,794</u>	<u>\$32,462</u>	<u>\$74,033</u>	<u>\$26,469</u>	<u>\$367,615</u>
At April 28, 2019	<u>\$116,847</u>	<u>\$201,114</u>	<u>\$9,405</u>	<u>\$39,402</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$366,768</u>



As of May 3, 2020 and April 28, 2019, 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 May 3, 2020 and April 28, 2019, the Group has amounts included in accrued liabilities for property, plant and equipment acquired of \$1.2 million and \$0.6 million, respectively. See Note 21.

Plant closures

Vegetable Plants

The Group announced on August 20, 2019 its intention to close its Sleepy Eye, Minnesota plant and its Mendota, Illinois plant, the sale of its Cambria, Wisconsin plant to new ownership, and its intent to sell the production assets from its Crystal City, Texas plant. In connection with the Sleepy Eye and Mendota plant closures, the Group recognized impairment losses on related property, plant and equipment amounting to \$21.1 million for the year ended May 3, 2020. In connection with the Cambria plant sale on November 1, 2019, the Group recognized impairment losses on related property, plant and equipment amounting to \$5.1 million for the year ended May 3, 2020. In connection with the Crystal City production equipment sale the Group recognized impairment losses on related property, plant and equipment amounting to \$14.6 million for the year ended May 3, 2020. See Note 5.

Under these plant closures, approximately 910 employees were terminated as of May 3, 2020. The Group recognized provisions for employee severance benefits amounting to \$4.2 million, with \$2.3 million outstanding, for the year ended May 3, 2020. The employee severance benefits are presented under “Employee benefits” and are expected to be paid in fiscal 2021. Environmental liabilities of \$9.4 million were recorded as of May 3, 2020 (see Note 20). The majority of this liability relates to waste-water ponds at Sleepy Eye, Mendota and Crystal City. Related inventory and property, plant and equipment write-downs amounting to \$9.2 million were recognized for the year ended May 3, 2020.

In connection with these announcements, the Group has recorded \$68.7 million of expense in “Other income (expenses) – net” for the year ended May 3, 2020.

As of May 3, 2020, the assets from Crystal City, Sleepy Eye and Mendota, have been sold.

Seed Operation Exit

In fiscal 2019, the Group entered into production and packaging agreements to meet breeding objectives with the Group’s intellectual property (research and breeding lines) for its seed operations. The Group will maintain the variety selection process it’s had in the past to select varieties that meet the Group’s standards. Due to these agreements, the Group closed its Idaho Falls, Idaho and Gilroy, California seed operations in August 2018 and February 2019, respectively. In connection with the Idaho Falls plant closure, the Group recognized a gain on the sale of related property, plant and equipment amounting to \$1.5 million in fiscal 2019. Additionally, in fiscal 2019, management committed to a plan to sell certain assets of the Group’s Gilroy plant. In fiscal 2019, assets of \$1.3 million were reclassified as “Assets held for sale” in the consolidated statement of financial position. As of May 3, 2020, the Gilroy assets have been reclassified as “Property, plant, and equipment” in the consolidated statements of financial position as Management further evaluates the future use of these assets. There are no assets held



for sale as of May 3, 2020.

Under these plant closures, 12 employees were affected, all of which were terminated by the end of fiscal 2019. The Group recognized provisions for employee severance benefits amounting to \$0.3 million, with \$0.1 million outstanding as of April 28, 2019. As of May 3, 2020, there is no employee severance benefits outstanding.

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. Remaining employee severance benefits amounting to \$0.2 million were settled in fiscal 2019. The employee severance benefits are presented under "Employee benefits".

As of April 28, 2019, the Plymouth building and land have been sold. As of May 3, 2020 and April 28, 2019, a non-current receivable of \$1.0 million has been recorded in "Other Non-current Assets" related to this sale (see Note 9). This receivable is due on July 2, 2023.

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. Remaining employee severance benefits amounting to less than \$0.1 million were settled in fiscal 2019. 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 occurred 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. Employee severance benefits amounting to \$0.5 million were settled in fiscal 2019, with \$0.1 million outstanding at April 28, 2019. The employee severance benefits are presented under "Employee benefits". As of May 3, 2020, there are no outstanding severance benefits related to this closure.

Estimating Useful Lives of Property, Plant and Equipment

The Group estimates the useful lives of its property, plant and equipment, including right-of-use assets, 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 value 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	
			May 3, 2020 %	April 28, 2019 %
Held by the Company				
Del Monte Foods Holdings II, Inc. ("DMFHII")	Investment holding	State of Delaware, USA	100.00	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.)	Real estate holding	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	51.00
Del Monte Avo, LLC ^(c)	Development, production, marketing, sale and distribution of UHP avocado products	State of Delaware, USA	51.00	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 Venezuelan entity, the Group deconsolidated its subsidiary effective 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, each of which was established in the state of Delaware, USA. DMFI subsequently exited a joint venture with plans to pursue a new retail food and beverage concept. The three remaining joint ventures plan to pursue sales of expanded refrigerated offerings in 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 May 3, 2020 and April 28, 2019.

7. Intangible assets and goodwill

	<u>Goodwill</u>	<u>Indefinite life trademarks</u>	<u>Amortizable trademarks</u>	<u>Customer relationships</u>	<u>Total</u>
Cost					
At May 3, 2020 and April 28, 2019	\$204,592	\$394,000	\$24,000	\$107,000	\$729,592
Accumulated amortization					
At April 29, 2019	\$ -	\$ -	\$6,739	\$27,738	\$34,477
Amortization	-	-	1,300	5,350	6,650
At May 3, 2020	<u>\$ -</u>	<u>\$ -</u>	<u>\$8,039</u>	<u>\$33,088</u>	<u>\$41,127</u>
At April 30, 2018	\$ -	\$ -	\$5,439	\$22,388	\$27,827
Amortization	-	-	1,300	5,350	6,650
At April 28, 2019	<u>\$ -</u>	<u>\$ -</u>	<u>\$6,739</u>	<u>\$27,738</u>	<u>\$34,477</u>
Carrying amounts					
At May 3, 2020	<u>\$204,592</u>	<u>\$394,000</u>	<u>\$15,961</u>	<u>\$73,912</u>	<u>\$688,465</u>
At April 28, 2019	<u>\$204,592</u>	<u>\$394,000</u>	<u>\$17,261</u>	<u>\$79,262</u>	<u>\$695,115</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. The transaction was completed on February 18, 2014, the acquisition date.



Impairment Test

In fiscal 2020 and 2019, the recoverable amount of the CGU was based on VIU being greater than fair value less costs of disposal:

	<u>May 3, 2020</u>	<u>April 28, 2019</u>
Value-in-use	\$3,250,000	\$2,650,000
Fair value less costs of disposal	3,190,000	2,600,000
Recoverable amount	\$3,250,000	\$2,650,000

As of valuation date in January 2020 and January 2019, the estimated recoverable amount of the CGU exceeded its carrying amount by approximately \$1,951.2 million, and \$1,174.3 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.

	<u>2020</u>	<u>2019</u>
	%	%
Pre-tax discount rate	8.0	8.6
Terminal value growth rate	2.0	2.0
Long-term EBITDA margin	12.6	11.9

The discount rate was a pre-tax measure estimated based on the historical industry average weighted-average cost of capital, with possible debt leveraging of 60% (April 28, 2019: 72%) at a risk free interest rate of 3.0% (April 28, 2019: 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 Income Approach, which indicates value based on the present value of the cash flows that a business is expected to generate in the future.

The Discounted Cash Flow Method was used in applying the Income Approach. The Discounted Cash Flow Method estimates the value of a business or an asset by combining the projected annual cash flows available to all capital holders in the business (i.e., debt and equity investors) for a discrete period with the residual value of the cash flows, grown into perpetuity at an estimated long-term growth rate, adjusted for the cost of disposal. Additionally, other adjustments may be warranted to reflect specific characteristics of the valuation subject. Accuracy of the indicated results depends on the reasonableness of the underlying cash flow projections.

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

Indefinite life trademarks

The indefinite life trademarks arising from the acquisition of DMFI pertain to those of DMFI for the use of the “*Del Monte*” trademark in the United States and South America markets, and the “*College Inn*” trademark in the United States, Australia, Canada and Mexico markets. As of May 3, 2020 and April 28, 2019, 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 CGU 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 use of estimates and assumptions. The estimated fair value would change depending on the assumptions used, such as the discount rate or long-term margin.

Sensitivity analysis

Management has identified that a reasonably possible change in the discount rate or long-term margin could cause the carrying amount of the CGU to exceed the recoverable amount. The following table show the amount to which these would need to change independently for the estimated recoverable amount to be equal to the carrying amount.



	Breakeven Multiple	
	2020	2019
Discount rate	15.70%	11.78%
Terminal growth rate	n/a	n/a
Long-term margin	4.43%	6.49%
EBITDA compound annual growth rate	n/a	n/a

Amortizable trademarks

	Net carrying amount		Remaining amortization period (years)	
	May 3, 2020	April 28, 2019	May 3, 2020	April 28, 2019
	America S&W trademark	\$763	\$963	3.8
America Contadina trademark	15,198	16,298	13.8	14.8
	\$15,961	\$17,261		

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 markets.

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

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).

	May 3, 2020	April 28, 2019
Net carrying amount	\$73,912	\$79,262
Remaining amortization period (years)	13.8	14.8

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:

	Assets		Liabilities	
	May 3, 2020	April 28, 2019	May 3, 2020	April 28, 2019
Provisions	\$4,550	\$1,593	\$ -	\$ -
Employee benefits	28,943	26,986	-	-
Property, plant and equipment	-	-	(14,031)	(19,941)
Intangible assets and goodwill	-	-	(69,094)	(63,072)
Effective portion of changes in fair value of cash flow hedges	2,162	890	-	-
Tax loss carry-forwards	160,414	146,586	-	-
Inventories	876	2,121	-	-
Deferred income	-	-	(5,455)	(11,456)
Interest	23,139	14,415	-	-
Other	11,841	9,061	-	-
Deferred tax assets/(liabilities)	231,925	201,652	(88,580)	(94,469)
Set off of tax	(87,488)	(93,377)	87,488	93,377
Deferred tax assets/(liabilities)	\$144,437	\$108,275	(\$1,092)	(\$1,092)

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

	At April 28, 2019	Recognized in profit or loss (Note 26)	Recognized in other comprehensive income	At May 3, 2020
At May 3, 2020				
Deferred tax assets				
Provisions	\$1,593	\$2,957	\$-	\$4,550
Employee benefits	26,986	(2,212)	4,169	28,943
Effective portion of changes in fair value of cash flow hedges	890	1,508	(236)	2,162
Tax loss carry-forwards	146,586	13,828	-	160,414
Inventories	2,121	(1,245)	-	876
Interest	14,415	8,724	-	23,139
Other	9,061	2,780	-	11,841
	\$201,652	\$26,340	\$3,933	\$231,925
Deferred tax liabilities				
Property, plant and equipment	(\$19,941)	\$5,910	\$-	(\$14,031)
Intangible assets and goodwill	(63,072)	(6,022)	-	(69,094)
Deferred income	(11,456)	6,001	-	(5,455)
	(94,469)	5,889	-	(88,580)
Net deferred tax	\$107,183	\$32,229	\$3,933	\$143,345



	<u>At April 29, 2018</u>	<u>Recognized in profit or loss (Note 26)</u>	<u>Recognized in other comprehensive income</u>	<u>At April 28, 2019</u>
At April 28, 2019				
Deferred tax assets				
Provisions	\$1,150	\$443	\$-	\$1,593
Employee benefits	23,647	386	2,953	26,986
Effective portion of changes in fair value of cash flow hedges	1,166	(163)	(113)	890
Tax loss carry-forwards	128,655	17,931	-	146,586
Inventories	1,478	643	-	2,121
Interest	-	14,415	-	14,415
Other	3,768	5,293	-	9,061
	<u>\$159,864</u>	<u>\$38,948</u>	<u>\$2,840</u>	<u>\$201,652</u>
Deferred tax liabilities				
Property, plant and equipment	(\$21,688)	\$1,747	\$-	(\$19,941)
Intangible assets and goodwill	(50,944)	(12,128)	-	(63,072)
Deferred income	(8,562)	(2,894)	-	(11,456)
	<u>(81,194)</u>	<u>(13,275)</u>	<u>-</u>	<u>(94,469)</u>
Net deferred tax	<u>\$78,670</u>	<u>\$25,673</u>	<u>\$2,840</u>	<u>\$107,183</u>

Unrecognized deferred tax assets

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

	<u>May 3, 2020</u>	<u>April 28, 2019</u>
Deductible temporary differences	<u>\$38,844</u>	<u>\$20,506</u>
Tax losses and tax credits	<u>1,957</u>	<u>1,963</u>
	<u>\$40,801</u>	<u>\$22,469</u>

The tax losses will expire in 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 May 3, 2020, deferred tax assets amounting to \$160.4 million (April 28, 2019: \$146.6 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 \$231.9 million may not be realized. The majority of the tax loss for May 3, 2020 and April 28, 2019 can be carried forward indefinitely and tax loss carry forwards prior to April 28, 2019 may be utilized up to a 20-year period.



9. Other noncurrent assets

	May 3, 2020	April 28, 2019
Excess insurance	\$5,144	\$5,514
Note receivables	1,141	4,038
Advance deposits and prepayments	1,659	1,776
Other	-	75
	\$7,944	\$11,403

Excess insurance relates mainly to reimbursements from insurers to cover certain workers' compensation claims liabilities (see Note 17). As of May 3, 2020, note receivables of \$1.0 million relates to the sale of certain assets of Plymouth (see Note 5). As of April 28, 2019, note receivables of \$2.7 million relates to the sale of certain assets of Sager Creek (see Note 4).

10. Inventories

	May 3, 2020	April 28, 2019
Finished goods, at net realizable value	\$279,672	\$380,281
Semi-finished goods, at cost	59,243	62,845
Raw materials and packaging supplies, at net realizable value	52,135	98,292
	\$391,050	\$541,418

The cost of inventories recognized as expense during the year was \$1.3 billion (April 28, 2019: \$1.2 billion; April 29, 2018: \$1.4 billion). This includes a total of \$7.4 million in respect of direct write-offs and write-downs of inventories to net realizable value (April 28, 2019: \$9.8 million; April 29, 2018: \$24.5 million).

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

	May 3, 2020	April 28, 2019
At beginning of the period	\$2,938	\$19,214
Allowance for the period	9,649	19,016
Write-off against allowance	(4,710)	(35,292)
At end of the period	\$7,877	\$2,938

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 consolidated 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

	May 3, 2020	April 28, 2019
Trade receivables	<u>\$111,686</u>	<u>\$82,252</u>
Less: allowance for impairment	<u>(139)</u>	<u>(145)</u>
Trade receivables, net	<u>111,547</u>	<u>82,107</u>
Nontrade receivables	<u>10,900</u>	<u>11,312</u>
Less: allowance for impairment	<u>(14)</u>	<u>(14)</u>
Nontrade receivables, net	<u>10,886</u>	<u>11,298</u>
Trade and other receivables	<u>\$122,433</u>	<u>\$93,405</u>

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

	May 3, 2020	April 28, 2019
At beginning of the year/period	<u>\$159</u>	<u>\$149</u>
Allowance recognized	<u>320</u>	<u>36</u>
Write-off against allowance	<u>(326)</u>	<u>(26)</u>
At end of the year/period	<u>\$153</u>	<u>\$159</u>



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

	May 3, 2020		April 28, 2019	
	Gross	Impairment losses	Gross	Impairment losses
Not past due	\$94,228	\$ -	\$68,858	\$ -
Past due 0 - 60 days	18,328	-	20,349	-
Past due 61 - 90 days	2,363	-	526	-
Past due 91 - 120 days	1,289	-	1,355	-
More than 120 days	6,378	(153)	2,476	(159)
	<u>\$122,586</u>	<u>(153)</u>	<u>\$93,564</u>	<u>(159)</u>

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 based on the applicable ECL methodology described in Note 30. 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

	May 3, 2020	April 28, 2019
Prepayments	\$54,400	\$16,812
Notes receivable	2,250	-
Derivative assets	57	64
Other	100	-
	<u>\$56,807</u>	<u>\$16,876</u>

As of May 3, 2020, notes receivable of \$2.3 million relates to the sale of assets of Crystal City (see Note 5).



13. Cash

	May 3, 2020	April 28, 2019
Cash in banks	\$7,363	\$2,872

14. Assets held for sale

In fiscal 2019, management committed to a plan to sell certain assets of the Group’s Gilroy, California and Kenwood, Arkansas plants (see Note 5). Accordingly, these assets were presented as assets held for sale. As of May 3, 2020, the Kenwood warehouse has been sold, while the Gilroy assets have been reclassified as “Property, plant, and equipment” in the consolidated statements of financial position.

There are no assets held for sale as of May 3, 2020.

As of April 28, 2019, these assets comprise the following:

	April 28, 2019
Freehold land	\$1,467
Buildings and machinery	2,998
	\$4,465

15. Reserves

	May 3, 2020	April 28, 2019
Remeasurement of retirement plan	\$978	\$17,760
Translation reserve	308	276
Hedging reserve	(2,016)	(2,742)
	(\$730)	\$15,294

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.

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

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

	<u>May 3, 2020</u>	<u>April 28, 2019</u>
Current liabilities		
Secured bank loans	\$690,697	\$140,255
Non-current liabilities		
Secured bank loans	<u>22,737</u>	<u>689,854</u>
	<u>\$713,434</u>	<u>\$830,109</u>

Terms and debt repayment schedule

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

			<u>May 3, 2020</u>		<u>April 28, 2019</u>	
	Currency	Year of maturity	Face value	Carrying amount	Face value	Carrying amount
Secured bank loan under ABL Credit Agreement	USD	2020	\$25,072	\$25,072	\$136,672	\$133,851
Secured First Lien Term Loan	USD	2021	665,625	665,625	674,500	668,697
Secured Second Lien Term Loan	USD	2021	22,737	22,737	28,555	27,561
			<u>\$713,434</u>	<u>\$713,434</u>	<u>\$839,727</u>	<u>\$830,109</u>

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 April 28, 2019	\$133,851	\$668,697	\$27,561	\$830,109
Changes from financing cash flows				
Proceeds from loans and borrowings	255,800	-	-	255,800
Payments of loans and borrowings	(367,400)	(8,875)	-	(376,275)
Debt repurchase	-	-	(5,818)	(5,818)
Interest paid	(15,002)	(38,160)	(2,778)	(55,940)
Other changes				
Interest expense	14,783	37,144	2,778	54,705
Amortization of deferred financing fees	2,821	5,803	994	9,618
Accrued expense	219	1,016	-	1,235
Balance at May 3, 2020	<u>\$25,072</u>	<u>\$665,625</u>	<u>\$22,737</u>	<u>\$713,434</u>



	Loan under ABL Credit	First Lien	Second Lien	
Carrying amount:	Agreement	Term Loan	Term Loan	Total
Balance at April 29, 2018	\$5,527	\$672,163	\$130,769	\$808,459
Changes from financing cash flows				
Proceeds from loans and borrowings	341,172	-	-	341,172
Payments of loans and borrowings	(214,500)	(7,100)	-	(221,600)
Payments of debt related costs	(146)	-	-	(146)
Debt repurchase	-	-	(101,541)	(101,541)
Interest paid	(13,063)	(38,538)	(6,723)	(58,324)
Other changes				
Interest expense	14,301	38,964	1,933	55,198
Amortization of deferred financing fees	1,798	3,634	1,903	7,335
Accrued expense	(1,238)	(426)	1,220	(444)
Balance at April 28, 2019	\$133,851	\$668,697	\$27,561	\$830,109

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. The Group’s assets are held as collateral for the benefit of lenders.

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 May 3, 2020, the interest rate for First Lien Term Loans is 4.86% (April 28, 2019: 5.90%; April 29, 2018: 5.15%) and the interest rate for Second Lien Term Loans is 7.82% (April 28, 2019: 10.15%; April 29, 2018: 9.06%).

Principal Payments. The First Lien Term Loan generally requires quarterly scheduled principal payments of 0.25% of the original principal per quarter from April 29, 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.

On June 5, 2018, July 24, 2018, April 15, 2019 and November 27, 2019, respectively, an additional \$4.0 million, \$95.1 million, \$6.5 million and \$5.8 million, respectively, of the Second Lien Term Loans were purchased.

The pre-tax net gain from the purchase of the loans amounting to \$1.7 million (2019: \$12.0 million; 2018: \$35.6 million), net of nil transaction costs (2019: \$2.0 million; 2018: \$2.1 million), was recognized in the Group's consolidated financial statements in fiscal 2020 (see Note 24).

To finance the purchases of the Second Lien Term Loans, DMPL extended a loan to DMFHII amounting to \$88.2 million in fiscal 2018, with an additional \$87.8 million and \$4.1 million extended in fiscal 2019 and 2020, respectively. As of May 3, 2020, such loans are subject to interest of 11.10%, subject to quarterly repricing, and will mature on August 18, 2021. The interest payable to DMPL on this loan amounted to \$22.1 million and \$20.2 million in fiscal 2020 and 2019, respectively (see Note 35). Transaction costs amounting to \$2.0 million initially paid by DMPL were also passed on to DMFHII and recorded as part of intercompany payable as of April 28, 2019.

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. Proceeds of \$40.0 million from the amended ABL Agreement were used to pay-off the balance of the previous credit agreement in fiscal 2018. Additionally, in fiscal 2018, the Group fully amortized the deferred financing fees related to the previous credit agreement of \$0.9 million from the amendment. As of May 3, 2020 and April 28, 2019, the Group’s commitment could not exceed \$450 million. Tranche A matured on February 18, 2019 and Tranche B matures November 19, 2020.

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 2.25% for Tranche B at May 3, 2020 (and may increase to 2.50% or 2.75% depending on average excess availability) (April 28, 2019: Tranche B: 2.50%; April 29, 2018: Tranche A: 2.00% and Tranche B: 2.50%) and with respect to base rate borrowings is 1.25% for Tranche B at May 3, 2020 (and may increase to 1.50% or 1.75% depending on average excess availability) (April 28, 2019: Tranche B: 1.50%; April 29, 2018: Tranche A: 1.00% and Tranche B: 1.50%).

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 was 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, Tranche A matured and on November 19, 2020 Tranche B will mature. As of May 3, 2020, under Tranche B of the ABL Credit Agreement, there were \$25.1 million (April 28, 2019: Tranche B: \$136.7 million) of loans outstanding and \$21.9 million of letters of credit issued (April 28, 2019: \$16.9 million). The Group’s net availability under the ABL Credit Agreement was \$395.6 million as of May 3, 2020 (April 28, 2019: \$289.0 million). The weighted average interest rate on the ABL Credit Agreement was approximately 4.25% on May 3, 2020 (April 28, 2019: 4.90%; April 29, 2018: 6.20%). 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 was 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. As of May 15, 2020, the Term Loan Credit Agreements have been fully paid down and settled (see Note 36).

The Group is compliant with its loan covenants as of May 3, 2020 and April 28, 2019.

On May 15, 2020, the Group issued \$500.0 million of 11.875% Senior Secured Notes (the "Notes"). The Notes will mature on May 15, 2025 and are redeemable at the option of the Group



beginning in May 2022. Proceeds of \$477.5 million from the issuance were used to pay-off the balance of the First Lien Term Loan (see Note 36).

On May 15, 2020, DMFHII issued 64.546 shares of capital stock to DMFHL as full payment of the \$228.0 million loan to finance purchases of the Second Lien Term Loans (see Note 36).

On May 15, 2020, the Company entered into an agreement to refinance the ABL Credit Agreement with JP Morgan Chase as the administrative agent, and other lenders and agents parties thereto, to provide for senior secured financing of up to \$450.0 million, subject to availability under the borrowing base, with a term of three years until May 15, 2023 (see Note 36). On May 15, 2020, \$100.2 million was drawn on this facility.

17. Other non-current liabilities

	<i>Note</i>	May 3, 2020	April 28, 2019
Workers' compensation	34	\$19,019	\$19,304
Accrued vendor liabilities		623	802
Accrued lease liabilities		-	5,211
Other payables		-	349
		\$19,642	\$25,666

18. Employee benefits

The Group's employee benefit liabilities comprise the following:

	May 3, 2020	April 28, 2019
Post-retirement medical benefits plan obligation	\$11,599	\$17,154
Net defined benefit liability – Qualified retirement plan	65,783	48,567
Executive retirement plan	2,834	3,122
Cash incentive award	-	6,210
Short-term employee benefits	18,385	17,115
Other plans and benefits	6,523	6,359
Total employee benefit liability	\$105,124	\$98,527
Current	\$22,947	\$27,640
Non-current	82,177	70,887
	\$105,124	\$98,527

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.

For the year ended May 3, 2020, there were amendments to the DMFI Plan and the post-retirement benefit plan. Under the DMFI Plan amendments, certain benefits were eliminated effective December 31, 2019 and April 30, 2022 and the plan obligations associated with these amendments decreased by \$9.1 million. Under the post-retirement amendments, certain benefits will be eliminated effective April 30, 2022 and the plan obligations associated with this amendment decreased by \$5.9 million. Both amendments were recognized immediately in “General and administrative expenses” in the consolidated income statement.

For the year ended April 28, 2019, there was an amendment to the post-retirement benefit plan. Under the amendment, certain benefits will be eliminated after fiscal 2022. The net liability impact of this amendment was a decrease of \$13.4 million, which was recognized immediately in “General and administrative expenses” in the consolidated income statement.

DMFI does not expect to make contributions to the plan in 2021.



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)	
	May 3, 2020	April 28, 2019	May 3, 2020	April 28, 2019	May 3, 2020	April 28, 2019
Balance at beginning of year	\$341,860	\$360,227	(\$276,139)	(\$295,085)	\$65,721	\$65,142
Included in profit or loss						
Current service cost	3,645	6,153	-	-	3,645	6,153
Past service cost	(14,561)	(15,099)	-	-	(14,561)	(15,099)
Plan administration cost	-	-	2,419	675	2,419	675
Interest cost/ (income)	9,715	14,478	(7,719)	(11,626)	1,996	2,852
	(1,201)	5,532	(5,300)	(10,951)	(6,501)	(5,419)
Included in OCI						
Remeasurements loss/(gain)						
- Actuarial loss/(gain) arising from:						
- financial assumptions	33,912	14,072	-	-	33,912	14,072
- demographic assumptions	(4,867)	(1,719)	-	-	(4,867)	(1,719)
- experience adjustment	4,451	(1,152)	-	-	4,451	(1,152)
- Return on plan assets excluding interest income	-	-	(13,399)	(3,704)	(13,399)	(3,704)
	33,496	11,201	(13,399)	(3,704)	20,097	7,497
Others						
Benefits paid	(36,642)	(35,100)	34,707	33,601	(1,935)	(1,499)
Balance at end of year	\$337,513	\$341,860	(\$260,131)	(\$276,139)	\$77,382	\$65,721

Represented by:

	Net defined benefit liability/(asset)	
	May 3, 2020	April 28, 2019
Post-retirement medical benefits plan	\$11,599	\$17,154
Qualified retirement plan	65,783	48,567
	\$77,382	\$65,721



Plan assets

Plan assets comprise:

	May 3, 2020	April 28, 2019
Interest bearing cash	\$5,464	\$14,096
Common collective trust funds		
- Fixed income	62,554	67,167
- Equity fund	93,007	87,474
Mutual funds		
- Equity funds	12,375	13,840
Debt Securities		
- Corporate	39,872	39,224
- Government	29,978	34,996
- Others	3,975	4,416
Other investments	12,906	14,926
Fair value of plan assets	\$260,131	\$276,139

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.

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 2020 wherein the results of these valuations form the basis of the fair value of the funded obligations and plan assets as of May 3, 2020.



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

	<u>May 3, 2020</u>	<u>April 28, 2019</u>
Discount rate (per annum)	2.14% - 3.68%	3.65% - 4.00%
Future salary increases (per annum)	3.00%	3.00% - 4.00%
Current health care cost trend rate	6.40%	6.60%
Ultimate health care cost trend rate	4.50%	4.50%

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 post-retirement benefits. The discount rate used to determine the defined benefit plans and for the post-retirement 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:

	<u>May 3, 2020</u>	<u>April 28, 2019</u>
Qualified retirement plan	10.2	9.5
Post-retirement benefits plan	8.1	9.7
Executive retirement plans	7.5 - 9.0	9.3 - 9.5

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

	<u>Normal Retirement</u>	<u>Other than Normal Retirement</u>	<u>Total</u>
Less than one year	\$25,864	\$2,077	\$27,941
More than one year to five years	94,143	3,879	98,022
More than five years	95,639	2,578	98,217



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 May 3, 2020 is as follows:

	May 3, 2020	Target Allocation Range
Equity securities	\$105,382	41%
Debt securities	136,379	52%
Other	18,370	7%
Total	\$260,131	100%

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 consolidated 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

	2020		2019	
	0.50% increase	0.50% decrease	0.50% increase	0.50% decrease
Discount rate	(\$14,871)	\$16,224	(\$13,692)	\$14,868
Future salary increases	N/A	N/A	\$1,118	(\$1,066)

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 2020 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

	2020		2019	
	1.00% increase	1.00% decrease	1.00% increase	1.00% decrease
Health care cost trend rates	\$15	(\$14)	\$939	(\$768)
	0.50% increase	0.50% decrease	0.50% increase	0.50% decrease
Discount rate	(\$415)	\$451	(\$774)	\$853

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 \$6.4 million, \$6.7 million and \$6.1 million during fiscal 2020, 2019 and 2018, 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 May 3, 2020 was \$4.4 million (April 28, 2019: \$4.1 million; April 29, 2018: \$4.8 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 May 3, 2020 and April 28, 2019, 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:

	May 3, 2020	April 28, 2019
Interest rate swap valuation	<u>(\$5,915)</u>	<u>(\$3,960)</u>
Commodity contracts	<u>(2,909)</u>	<u>64</u>
Total	<u>(\$8,824)</u>	<u>(\$3,896)</u>
<i>Included in:</i>		
Prepaid and Other – Current Assets	<u>\$57</u>	<u>\$64</u>
Derivative Liabilities – Current Liabilities	<u>(8,846)</u>	<u>(2,201)</u>
Derivative Liabilities – Non Current Liabilities	<u>(35)</u>	<u>(1,759)</u>
	<u>(\$8,824)</u>	<u>(\$3,896)</u>

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

	May 3, 2020	April 28, 2019
Commodity contracts	<u>\$1,225</u>	<u>(\$283)</u>



At May 3, 2020, \$2.9 million (April 28, 2019: \$2.6 million; April 29, 2018: \$3.5 million) are expected to be reclassified from OCI to the consolidated income statement within the next 12 months.

Interest Rates

As of May 3, 2020 and April 28, 2019, 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”).

The Group adopts a policy of hedging its floating rate exposure in accordance with the current rate environment and expected debt balances. This is achieved partly by entering into fixed-rate instruments and partly by borrowing at a floating rate and using interest rate swaps as hedges of the variability in cash flows attributable to movements in interest rates. The Group applies a hedge ratio of 1:1.

The Group determines the existence of an economic relationship between the hedging instrument and hedged item based on the reference interest rates, tenors, repricing dates and maturities and the notional or par amounts.

The Group assesses whether the derivative designated in each hedging relationship is expected to be effective in offsetting changes in cash flows of the hedged item using the hypothetical derivative method.

In these hedge relationships, the main sources of ineffectiveness are the effect of the counterparty’s and the Group’s own credit risk on the fair value of the swaps, which is not reflected in the change in the fair value of the hedged cash flows attributable to the change in interest rates, and differences in repricing dates between the swaps and the borrowings.

Significant terms of the interest rate swap contracts are as follows:

May 3, 2020 and April 28, 2019

Contract Date	Notional amount (in millions)	Fixed LIBOR Rate	Effective Date	Maturity Date
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 May 3, 2020 and none in April 28, 2019:

	May 3, 2020
Natural gas (MMBTU)	332
Diesel (gallons)	7,170

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.

Amounts Relating to Hedged Items

The amounts at the reporting date relating to items designated as hedged items are as follows:

	May 3, 2020		
	Change in value used for calculating hedge ineffectiveness	Cash flow hedge reserve	Balances remaining in the cash flow hedge reserve from hedging relationships for which hedge accounting is no longer applied
Interest rate risk			
Variable rate instruments	\$4,824	\$180	\$ -
Commodity price risk			
Inventory purchases	2,909	(2,196)	-

	April 28, 2019		
	Change in value used for calculating hedge ineffectiveness	Cash flow hedge reserve	Balances remaining in the cash flow hedge reserve from hedging relationships for which hedge accounting is no longer applied
Interest rate risk			
Variable rate instruments	\$2,478	(\$2,742)	\$ -
Commodity price risk			
Inventory purchases	(46)	-	-



Amounts Relating to Hedging Instruments

The amounts relating to items designated as hedging instruments and hedge ineffectiveness are as follows:

	Notional amount	May 3, 2020		Line item in the statement of financial position where the hedging instrument is included	Changes in the value of the hedging instrument recognized in OCI	During 2020	
		Carrying Amount Assets	Liabilities			Amount reclassified from hedging reserve to profit or loss	Line item in profit or loss affected by the reclassification
Interest rate risk							
Interest rate swaps	\$284,000	\$ -	(\$5,915)	Derivative liabilities - Current Liabilities	(\$4,824)	\$8,695	Net finance expense
		-	-	Derivative liabilities - Non Current Liabilities			
Commodity price risk							
Commodity contracts							
Natural Gas (MMBTU)	332	57		Prepaid and Other - Current Assets	57	-	
Diesel (gallons)	7,170	-	(2,931)	Derivative liabilities - Current Liabilities	(2,931)	-	
			(35)	Derivative liabilities - Non Current Liabilities	(35)	-	



	Notional amount	April 28, 2019		Line item in the statement of financial position where the hedging instrument is included	Changes in the value of the hedging instrument recognized in OCI	During 2019	
		Carrying Amount				Amount reclassified from hedging reserve to profit or loss	Line item in profit or loss affected by the reclassification
		Assets	Liabilities				
Interest rate risk							
Interest rate swaps	\$284,000	\$ -	(\$2,201)	Derivative liabilities - Current Liabilities	(\$2,478)	\$2,894	Net finance expense
		-	(1,759)	Derivative liabilities - Non Current Liabilities			
Commodity price							
Commodity contracts							
Natural Gas (MMBTU)	-	-	-	Prepaid and Other - Current Assets	46	-	
Diesel (gallons)	-	64	-	Prepaid and Other - Current Assets	-	-	



Hedging Reserve

The following table provides a reconciliation by risk category of the hedging reserve and analysis of OCI items, net of tax, resulting from cash flow hedge accounting:

	<u>May 3, 2020</u>	<u>April 28, 2019</u>
Balance at beginning of year	(2,742)	(\$3,091)
Changes in fair value:		
- Interest rate risk	(4,824)	(2,478)
- Commodity price risk	(2,909)	46
Amount reclassified to profit or loss		
- Interest rate risk	8,695	2,894
Tax on movements on reserves during the year	(236)	(113)
Balance at end of year	<u>(2,016)</u>	<u>(\$2,742)</u>

20. Environmental remediation liabilities

	<u>May 3, 2020</u>	<u>April 28, 2019</u>
At beginning of the year	\$697	\$144
Provisions made during the year	9,471	631
Provisions used during the year	(78)	(78)
Provisions released during the year	(167)	-
Reclass to current portion	(336)	-
At end of the year	<u>\$9,587</u>	<u>\$697</u>

Provision for environmental remediation relates to legal or constructive obligations incurred by the Group in connection with its operations based on projections prepared by third party environmental consultants. The current portion of environmental liabilities is included in "Trade and other payables" in the consolidated statement of financial position. In connection with the plant sales of Mendota, Sleepy Eye, and Crystal City, \$6.0 million, \$3.0 million and \$0.4 million, respectively, of environmental provisions were made in fiscal 2020.

21. Trade and other payables

	<u>May 3, 2020</u>	<u>April 28, 2019</u>
Trade payables	\$64,184	\$62,805
Accrued operating expenses	75,905	38,621
Book overdrafts	6,280	3,478
Withheld from employees (taxes and social security cost)	160	1,219
Other payables	1,106	202
	<u>\$147,635</u>	<u>\$106,325</u>



22. Revenue

Disaggregation of Revenue

	May 3, 2020	April 28, 2019
Packaged fruit and vegetable	\$1,255,236	\$1,150,990
Beverage	12,108	14,569
Culinary	260,672	251,481
Fresh fruit and others	1,824	4,277
	<u>\$1,529,840</u>	<u>\$1,421,317</u>

Packaged fruit and vegetable

The packaged fruit and vegetable segment includes sales and profit of processed fruit and vegetable products under the Del Monte and S&W brands, as well as buyer's labels, that are packaged in different formats such as can, plastic cup, pouch and aseptic bag. Key products under this segment are canned green beans, peaches and corn sold in the United States.

Beverage

Beverage includes sales of 100% pineapple juice in can, juice drinks in various flavors in can, tetra and PET packaging, and pineapple juice concentrate.

Culinary

Culinary includes sales of packaged tomato-based products such as diced solids, tomato sauce, pasta sauce, pizza sauce, broth and condiments under four brands namely Del Monte, S&W, College Inn and Contadina.

Fresh fruit and others

Fresh fruit and others include sales of frozen snacking items and ingredients, and refrigerated fruit. This would also include non-branded sales to South America.

Contract Balances

The following table provides information about trade receivables and contract liabilities from contracts with customers.

	May 3, 2020	April 28, 2019
Receivables, included in "Trade and other receivables"	\$111,547	\$82,107
Contract liabilities	407	530

Deferred income pertains to contract liabilities relating to advances from customers which are generally expected to be recognized as revenue within periods of less than one year. Accordingly, opening contract liabilities are recognized within each reporting period. The Group applies the practical expedient in paragraph 121 of IFRS 15 and does not disclose the aggregate amount of the transaction price of unsatisfied or partially unsatisfied performance obligations as of the end



of the reporting period because its contracts have original expected durations of one year or less.

The Group recognized revenue adjustments from performance obligations satisfied or partially satisfied in previous periods due to changes in estimates of trade promotions, coupon redemptions, cash discounts and penalties amounting to \$5.1 million and \$3.5 million in fiscal 2020 and fiscal 2019, respectively.

Contract liabilities of \$13.7 million at April 30, 2018 have been recognized as revenue for the year ended April 28, 2019. The contract liabilities of \$0.5 million at April 28, 2019 have been recognized as revenue for the year ended May 3, 2020.

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:

	<i>Note</i>	May 3, 2020	April 28, 2019	April 29, 2018
Raw materials, fixed manufacturing and packaging materials		\$760,035	\$705,471	\$825,088
Distribution expense		225,583	209,060	204,523
Impairment of property, plant and equipment	5	40,810	1,305	24,672
Depreciation of property, plant and equipment	5	42,839	41,856	47,250
Amortization of right of use assets	5	25,759	-	-
Brokerage		9,006	10,219	17,747
Research and development expenditure		8,871	7,100	-
Amortization of intangible assets	7	6,650	6,650	7,766
Inventory write-downs	10	7,394	9,809	24,502
Loss/(Gain) on disposal of assets		2,559	(6,130)	(11,281)
Legal expenses		1,907	2,455	5,051
Audit fee		1,013	862	950
Other professional and contracted services		35,253	39,131	39,117
Operating lease rentals		-	41,345	45,708
Staff costs:				
Wages, salaries and other benefits		222,555	216,189	273,409
Social security costs		14,434	14,872	15,851
Pension costs – defined benefit pension plan		6,425	6,672	6,075
Pension costs – provident fund		4,379	4,066	4,842
Value of employee services received under share-based incentive plans		-	267	348



24. Other income (expenses) – net

	<i>Note</i>	May 3, 2020	April 28, 2019	April 29, 2018
Gain on debt repurchase	16	\$1,716	\$11,977	\$35,646
Plant closure costs	5	(57,587)	1,317	(20,663)
Environmental reserve	20	(9,273)	1,142	5,704
Vendor settlement		(1,984)	-	-
Product recall		(116)	(1,696)	-
Net realizable value impairment		-	-	(13,080)
Lease settlement		-	-	5,974
Foreign exchange loss – net		(3,793)	(497)	(657)
Miscellaneous		(744)	121	574
		<u>(\$71,781)</u>	<u>\$12,364</u>	<u>\$13,498</u>

25. Net finance expense

	<i>Note</i>	May 3, 2020	April 28, 2019	April 29, 2018
Interest expenses				
- Bank loans				
Discount amortization	16	(\$1,009)	(\$854)	(\$854)
Deferred financing fee amortization	16	(8,609)	(3,122)	(10,529)
Interest on loans and borrowings and intercompany payables	16	(77,195)	(79,200)	(63,820)
- Lease liabilities	3	(7,532)	-	-
- Interest rate swap reclassification adjustment	19	(8,695)	(2,894)	(8,351)
Interest income	4	410	543	562
Net finance expense		<u>(\$102,630)</u>	<u>(\$85,527)</u>	<u>(\$82,992)</u>



26. Income taxes

	<u>May 3, 2020</u>	<u>April 28, 2019</u>	<u>April 29, 2018</u>
Current tax expense			
- Current year	<u>\$1,505</u>	<u>\$1,279</u>	<u>\$730</u>
Deferred tax benefit			
- Origination and reversal of temporary differences	(36,662)	(21,348)	(27,996)
- Unrecognized deferred tax assets	4,433	(4,325)	2,199
- Change in tax rate	-	-	26,937
Deferred tax expense (benefit), net	<u>(32,229)</u>	<u>(25,673)</u>	<u>1,140</u>
Income tax expense (benefit)	<u>(\$30,724)</u>	<u>(\$24,394)</u>	<u>\$1,870</u>
Reconciliation of effective tax rate			
Loss before taxation	<u>(\$142,921)</u>	<u>(\$71,524)</u>	<u>(\$110,922)</u>
Taxation on profit at weighted average of the applicable tax rates	(35,016)	(17,522)	(27,176)
Non-taxable income	(2,013)	(2,733)	-
Unrecognized deferred tax assets	4,433	(4,325)	2,199
Change in tax rate	-	-	26,937
Other	1,872	186	(90)
Income tax expense (benefit)	<u>(\$30,724)</u>	<u>(\$24,394)</u>	<u>\$1,870</u>
	<u>May 3, 2020</u>	<u>April 28, 2019</u>	<u>April 29, 2018</u>
<i>Applicable tax rates</i>			
- United States of America	24.5%	24.5%	24.5%
- 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 its income 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 8 production facilities as of May 3, 2020 (12 production facilities as of April 28, 2019) 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, 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 May 3, 2020 and April 28, 2019, 14,716,500 and 14,372,044 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	September 24, 2014
Expected life (in years)	5.5	3.0
Expected volatility	38.49%	34.32%
Risk-free interest rate	1.64%	0.97%
Dividend yield	0%	0%

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

	May 3, 2020		April 28, 2019	
	Number of options	Weighted- average exercise price	Number of options	Weighted- average exercise price
Outstanding at beginning of year	627,956	\$5.39	1,422,001	\$5.39
Cancelled	(79,500)	5.39	(212,163)	5.39
Granted	-	-	-	-
Forfeited	(264,956)	5.39	(581,882)	5.39
Exercised	-	-	-	-
Outstanding at end of year	283,500	\$5.39	627,956	\$5.39
Exercisable at end of year	283,500	-	-	-



There was no expense recognized in the consolidated income statement for equity-settled share-based compensation for fiscal year 2020. The expense recognized in the consolidated income statement for equity-settled share-based compensation amounted to \$0.3 million in both fiscal years 2019 and 2018 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, \$4.0 million remained outstanding as of April 28, 2019. There is nothing outstanding as of May 3, 2020 related to this grant.

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 May 3, 2020, there is nothing outstanding related to this grant.

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 May 3, 2020, there is nothing outstanding related to this grant.

On December 16, 2019, DMFHI granted a total cash incentive of \$2.6 million to key executives under cash incentive award agreements. The grants require performance criteria to be achieved. The awards will vest in two equal annual parts over a period of approximately two years when the employee remains employed on each vesting date.

There is no accrued net obligation at May 3, 2020. The accrued net obligation at April 28, 2019 amounted to \$6.2 million. The total expense recognized under “Wages, salaries and other benefits” in the consolidated income statement amounted to \$1.6 million, \$3.1 million and \$2.9 million in fiscal 2020, 2019 and 2018, 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 consolidated 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 May 3, 2020 (April 28, 2019: 25%), which approximates gross sales. The customer accounted for approximately 29% of trade accounts receivable as of May 3, 2020 (April 28, 2019: 21%). The Group's top ten customers accounted for approximately 69% of list sales for the year ended May 3, 2020 (April 28, 2019: 68%). 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:

	<i>Note</i>	May 3, 2020	April 28, 2019
Not past due		\$94,228	\$68,858
Past due 0 - 60 days		18,328	20,349
Past due 61 - 90 days		2,363	526
Past due 91 - 120 days		1,289	1,355
More than 120 days		6,225	2,317
	<i>11</i>	<u>\$122,433</u>	<u>\$93,405</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 gross carrying amounts and credit quality of the Group's financial assets based on their historical experience with the corresponding third parties:

	<i>Note</i>	<u>Grade A</u>	<u>Grade B</u>	<u>Grade C</u>	<u>Total</u>
May 3, 2020					
Cash in bank	<i>13</i>	\$7,363	\$ -	\$ -	\$7,363
Trade and other receivables	<i>11</i>	-	122,433	153	122,586
Note receivables	<i>9</i>	-	1,141	-	1,141
		<u>\$7,363</u>	<u>\$123,574</u>	<u>\$153</u>	<u>\$131,090</u>
April 28, 2019					
Cash in bank	<i>13</i>	\$2,872	\$ -	\$ -	\$2,872
Trade and other receivables	<i>11</i>	-	93,405	159	93,564
Note receivables	<i>9</i>	-	4,038	-	4,038
		<u>\$2,872</u>	<u>\$97,443</u>	<u>\$159</u>	<u>\$100,474</u>

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.

The Group assessed that all balances under Grade A and Grade B have not experienced significant increase in credit risk, and trade and nontrade receivables under Grade C are considered credit-impaired as of May 3, 2020 and April 28, 2019.

The Group applies the simplified approach in measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. The Group uses a provision matrix to measure ECLs. Loss rates are based on actual credit loss experience over a period of three years. The Group has assessed that adjusting the loss rates for forward-looking information does not have a material effect considering the significantly low historical loss rates and the absence of economic factors that are highly correlated with the Group's credit loss experience on receivables.

For other financial assets such nontrade receivables and other receivables, ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk ("SICR") since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For cash and cash equivalents, the Group applies the low credit risk simplification. The probability of default and loss given defaults are publicly available and are considered to be low credit risk investments. It is the Group's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. The Group uses the ratings from reputable credit rating agencies to determine whether the debt instrument has SICR and to estimate ECLs.



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. The Group assesses the credit ratings of these banks and financial institutions on a regular basis to ensure credit-worthiness.

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:

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Less than 1 year</u>	<u>1-5 years</u>	<u>More than 5 years</u>
May 3, 2020					
Derivative financial liabilities					
Interest rate swaps used for hedging, net-settled	\$5,915	\$6,374	\$6,374	\$ -	\$ -
Non-derivative financial liabilities					
Secured bank loans					
- Short-term	690,697	708,381	708,381	-	-
- Long-term	22,737	25,023	1,718	23,306	-
Lease liabilities	106,271	124,655	32,487	77,680	14,488
Trade and other payables	147,475	147,475	147,475	-	-
Non-derivative financial liabilities	<u>967,180</u>	<u>1,005,534</u>	<u>890,061</u>	<u>100,986</u>	<u>14,488</u>
Financial liabilities	<u>\$973,095</u>	<u>\$1,011,908</u>	<u>\$896,435</u>	<u>\$100,986</u>	<u>\$14,488</u>



	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Less than 1 year</u>	<u>1-5 years</u>	<u>More than 5 years</u>
April 28, 2019					
Derivative financial liabilities					
Interest rate swaps used for hedging, net-settled	\$3,960	\$4,705	\$2,410	\$2,295	\$ -
Non-derivative financial liabilities					
Secured bank loans					
- Short-term	140,255	145,547	145,547	-	-
- Long-term	689,854	766,627	40,978	725,649	-
Accrued lease liabilities	5,211	167,656	37,020	101,686	28,950
Trade and other payables	105,106	105,106	105,106	-	-
Non-derivative financial liabilities	<u>940,426</u>	<u>1,184,936</u>	<u>328,651</u>	<u>827,335</u>	<u>28,950</u>
Financial liabilities	<u>\$944,386</u>	<u>\$1,189,641</u>	<u>\$331,061</u>	<u>\$829,630</u>	<u>\$28,950</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 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:

	May 3, 2020	April 28, 2019
Trade and other receivables	\$2,352	\$3,259
Cash	180	552
Other noncurrent assets	1,091	-
Trade and other payables	(9,187)	(8,234)
	(\$5,564)	(\$4,423)

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
May 3, 2020		
10% strengthening	(\$556)	(\$390)
10% weakening	\$556	\$390
April 28, 2019		
10% strengthening	(\$442)	(\$310)
10% weakening	\$442	\$310

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:

	<u>May 3, 2020</u>	<u>April 28, 2019</u>
Variable rate instruments		
Loans and borrowings	\$713,434	\$830,109
Interest rate swaps	<u>5,915</u>	<u>3,960</u>
	<u>\$719,349</u>	<u>\$834,069</u>

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>
May 3, 2020		
100 basis points increase	(\$4,294)	(\$825)
100 basis points decrease	\$4,294	\$41
April 28, 2019		
100 basis points increase	(\$5,557)	(\$6,407)
100 basis points decrease	\$5,557	\$2,491

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>May 3, 2020</u>	
	<u>Profit/loss before tax</u>	<u>Equity</u>
10% increase in commodity price	\$ -	\$19
10% decrease in commodity price	\$ -	(\$19)



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 consolidated statement of financial position, are as follows:

	Note	Carrying amount				Fair value	Fair value Hierarchy
		Financial assets at amortized cost	Derivatives	Other financial liabilities	Total		
May 3, 2020							
Cash	13	\$7,363	\$ -	\$ -	\$7,363		
Trade and other receivables	11	122,433	-	-	122,433		
Hedge contracts	19	-	57	-	57	\$57	Level 2
Note receivables	9	1,141	-	-	1,141	1,141	Level 3
		<u>\$130,937</u>	<u>\$57</u>	<u>\$ -</u>	<u>\$130,994</u>	<u>\$1,198</u>	
Loans and borrowings	16	\$ -	\$ -	\$713,434	\$713,434	\$644,943	Level 2
Trade and other payables*	21	-	-	147,475	147,475		
Hedge contracts	19	-	8,881	-	8,881	8,881	Level 2
Lease liabilities	3	-	-	106,271	106,271	124,655	Level 2
		<u>\$ -</u>	<u>\$8,881</u>	<u>\$967,180</u>	<u>\$976,061</u>	<u>\$778,479</u>	

*Excludes taxes and social security cost withheld from employees

	Note	Carrying amount				Fair value	Fair value Hierarchy
		Financial assets at amortized cost	Derivatives	Other financial liabilities	Total		
April 28, 2019							
Cash	13	\$2,872	\$ -	\$ -	\$2,872		
Trade and other receivables	11	93,405	-	-	93,405		
Hedge contracts	12	-	64	-	64	\$64	Level 2
Note receivables	9	4,038	-	-	4,038	4,038	Level 3
		<u>\$100,315</u>	<u>\$64</u>	<u>\$ -</u>	<u>\$100,379</u>	<u>\$4,102</u>	
Loans and borrowings	16	\$ -	\$ -	\$830,109	\$830,109	\$699,097	Level 2
Trade and other payables*	21	-	-	105,106	105,106		
Hedge contracts	19	-	3,960	-	3,960	3,960	Level 2
		<u>\$ -</u>	<u>\$3,960</u>	<u>\$935,215</u>	<u>\$939,175</u>	<u>\$703,057</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

	<u>May 3, 2020</u>			<u>April 28, 2019</u>		
	Level 2	Level 3	Total	Level 2	Level 3	Total
Financial assets						
Derivative assets	\$57	\$ -	\$57	\$64	\$ -	\$64
Non-financial assets						
Assets held for sale	-	-	-	-	4,465	4,465
Financial liabilities						
Derivative liabilities	8,881	-	8,881	3,960	-	3,960

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 and contract prices for similar items when available, and depreciated replacement cost as appropriate.

33. Commitments

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:

	May 3, 2020	April 28, 2019
Within one year	<u>\$225,632</u>	<u>\$278,910</u>
Between one to five years	<u>294,016</u>	<u>270,448</u>
More than five years	<u>353,158</u>	<u>406,047</u>
	<u><u>\$872,806</u></u>	<u><u>\$955,405</u></u>

Future capital expenditures

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

	May 3, 2020	April 28, 2019
Capital expenditures not provided for in the financial statements		
- approved by Directors and contracted for	<u>\$2,678</u>	<u>\$2,474</u>
- approved by Directors but not contracted for	<u>17,322</u>	<u>30,000</u>
	<u><u>\$20,000</u></u>	<u><u>\$32,474</u></u>

34. Contingencies

Legal proceedings

The Group is the subject of, or a party to, 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 May 3, 2020 and April 28, 2019.

As of May 3, 2020, provision for probable losses arising from environmental remediation amounted to \$9.9 million, \$9.6 million of which is non-current (April 28, 2019: \$1.1 million, \$0.7 million of which is non-current) (see Note 20).



As of May 3, 2020, provision for retained liabilities arising from workers' compensation claims amounted to \$22.2 million, \$19.0 million of which is non-current (April 28, 2019: \$22.6 million, \$19.3 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 consolidated financial statements, transactions with related parties are as follows:

Category/ Transaction	Year	Transaction Amount	Outstanding Balance		Terms	Conditions
			Receivable	Payable		
Parent						
- Loan from parent	2020	\$28,214	\$ -	\$228,374	Due August 2021; interest bearing	Unsecured
	2019	108,078	-	200,161		
	2018	92,083	-	92,083		
- Loan from parent	2020	-	-	-	Due and demandable; non- interest bearing	Unsecured
	2019	-	-	-		
	2018	-	-	10		
- Administrative expenses	2020	13	1,890	70	Due and demandable; non- interest bearing	Unsecured
	2019	2,121	1,832	-		
	2018	134	191	-		
Under Common Control						
- Sale of goods and other charges	2020	2,955	5,657	-	Due and demandable; non- interest bearing	Unsecured; no impairment
	2019	5,765	10,232	-		
	2018	5,187	2,350	-		
- Purchases of goods	2020	14,109	-	126,509	Due and demandable; non- interest bearing	Unsecured
	2019	115,254	65,580	194,061		
	2018	201,513	-	243,892		
- Administrative expenses	2020	5,529	1,226	5,106	Due and demandable; non- interest bearing	Unsecured
	2019	1,526	1,111	8,042		
	2018	288	641	3,220		
TOTAL	2020		\$8,773	\$360,059		
TOTAL	2019		\$78,755	\$402,264		
TOTAL	2018		\$3,182	\$339,205		

The transactions with related parties are carried out based on terms agreed between the parties.



The Group has an agreement to source the majority of its pineapple requirements from a subsidiary of DMPL. Purchases under this agreement amounted to \$33.4 million, \$99.5 million and \$30.4 million for fiscal 2020, 2019 and 2018, respectively.

The Group has an arrangement whereby DMPL, through a subsidiary, sources certain raw materials and packaging materials. Purchases under this arrangement amounted to \$56.0 million, \$86.2 million and \$150.0 million for fiscal 2020, 2019 and 2018, respectively.

In fiscal 2020, 2019 and 2018, the Group accrued \$0.4 million, \$0.5 million and \$0.6 million, 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). As of May 15, 2020, DMFHII agreed to issue and deliver 64.546 shares of capital stock to DMFHL as full payment of the \$228.0 million loan to finance purchases of the Second Lien Term Loans (see Note 36).

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:

	May 3, 2020	April 28, 2019	April 29, 2018
Key executive officers (excluding Directors):			
Short-term employee benefits	\$10,427	\$8,103	\$11,487
Post-employment benefits	826	771	1,476
Other long-term benefits	2,420	3,099	3,942
Termination benefits	1,207	801	2,438
Share-based compensation	-	267	348
	\$14,880	\$13,041	\$19,691

36. Subsequent events

On May 15, 2020, the Group issued \$500.0 million of 11.875% Senior Secured Notes (the "Notes"). The Notes will mature on May 15, 2025 and are redeemable at the option of the Group beginning in May 2022. Proceeds of \$477.5 million from the issuance were used to pay-off the balance of the First Lien Term Loan. As of May 3, 2020, prepaid transaction costs of \$1.6 million were included in "Prepaid and other current assets" and \$31.3 million of transaction cost accruals were included in "Trade and other payables" in the consolidated statement of financial position related to this transaction. The Notes include restrictive 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.

On May 15, 2020, DMFHII issued 64.546 shares of capital stock to DMFHL. On the same date, DMFHL issued 0.64546 shares of capital stock to DMPL Foods Limited and DMPL Foods Limited issued 645.46 shares of capital stock to DMPL as full payment of the \$228.4 million loan to finance purchases of the Second Lien Term Loans. Upon the issuance of the capital stock to DMPL, DMFHL is unconditionally released of all liabilities for principal and interest through May 3, 2020 relating to the purchase of the Second Lien Term Loans. On May 15, 2020, the Group recorded \$229.5 million of additional paid-in capital related to this transaction.

On May 15, 2020, DMFHL issued 0.42395 of ordinary shares to DMPL Foods Limited and DMPL Foods Limited issued 432.95 shares of preferred stock to DMPL in exchange for \$150.0 million of additional paid-in capital. As a result, the Group recorded \$150.0 million of additional paid-in capital related to this transaction.

On May 15, 2020, DMFHL entered into an agreement to refinance the ABL Credit Agreement with JP Morgan Chase as the administrative agent, and other lenders and agents parties thereto, to provide for senior secured financing of up to \$450.0 million, subject to availability under the borrowing base, with a term of three years until May 15, 2023. On May 15, 2020, \$100.2 million was drawn on this facility. Loans under the ABL Credit Agreement will bear interest based on either the Eurodollar rate of the alternative base rate, plus an applicable margin. Additionally, the Group fully amortized the remaining deferred financing fees related to the previous credit agreement of \$1.0 million for the year ended May 3, 2020. The ABL Credit Agreement includes restrictive 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.



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 May 3, 2020:

Current ratio:

Current assets/ current liabilities	<u>\$577,653</u>	= 0.57
	1,019,565	

Debt to equity ratio:

Total liabilities/ total stockholder's equity	<u>\$1,464,383</u>	= 4.55
	321,731	

Allowance for ECL

The Group has an allowance for ECL totalling \$0.2 million on May 3, 2020, April 28, 2019 and April 29, 2018. The method for determining the allowance is the ECL model which uses a lifetime expected loss allowance for all trade receivables. The Group uses a provision matrix to measure ECLs. Loss rates are based on actual credit loss experience over a period of three years. The Group has assessed that adjusting the loss rates for forward-looking information does not have a material effect considering the significantly low historical loss rates and the absence of economic factors that are highly correlated with the Group's credit loss experience on receivables. 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 Group does not have any notes or accounts receivables from a parent organization, a subsidiary, or affiliates, on a net basis.

