Refresco

Financial review

2016

Consolidated income statement

For the year ended December 31, 2016

(x 1 million euro)	Note	December 31, 2016	December 31, 2015
Revenue	4.2	**2,107.4**	**2,016.4**
Other income	4.3	0.4	0.5
Raw materials and consumables used	4.4	(1,191.8)	(1,148.3)
Employee benefits expense	4.5	(243.9)	(221.7)
Depreciation, amortization and impairments	4.6	(87.6)	(84.5)
Other operating expenses	4.7	(455.2)	(451.9)
Operating profit		**129.3**	**110.5**
Finance income	4.8	0.1	0.4
Finance expense	4.8	(18.8)	(50.3)
Net finance costs		**(18.7)**	**(49.9)**
Profit/(loss) before income tax		**110.6**	**60.6**
Income tax (expense)/benefit	4.9	(29.1)	(18.8)
Profit/(loss) for the year		**81.5**	**41.8**
Profit/(loss) attributable to:			
Owners of the Company		81.5	42.2
Non-controlling interest		–	(0.4)
Profit/(loss) for the year		**81.5**	**41.8**
Earnings per share			
Basic and diluted profit for the year attributable to ordinary equity holders of the parent	5.9	1.00	0.45
Basic and diluted profit from continuing operations attributable to ordinary equity holders of the parent	5.9	1.00	0.45
Pro forma earnings per share*			
Pro forma basic and diluted profit for the year attributable to ordinary equity holders of the parent	5.9	1.00	0.53
Pro forma basic and diluted profit from continuing operations attributable to ordinary equity holders of the parent	5.9	1.00	0.53

* The pro forma earnings per share are presented to show the development in the earnings per share after adjustment for the change in capital structure in 2015. See note 5.9.

The notes on page 67 to page 118 are an integral part of these consolidated financial statements.

Consolidated statement of other comprehensive income

For the year ended December 31, 2016

(x 1 million euro)	Note	December 31, 2016	December 31, 2015
Profit/(loss)		**81.5**	**41.8**
Items that will not be reclassified to profit or loss			
Remeasurements of post employment benefit obligations	5.9	(3.3)	(5.1)
Income tax (expenses)/benefits	5.9	1.1	1.2
Total		**(2.2)**	**(3.9)**
Items that may be subsequently reclassified to profit or loss			
Cashflow hedges	5.9	2.0	(3.7)
Foreign currency translation differences for foreign operations	5.9	(30.6)	21.4
Income tax (expenses)/benefits	5.9	1.7	1.2
Total		**(26.9)**	**18.9**
Other comprehensive income/(loss)		**(29.1)**	**15.0**
Total comprehensive income/(loss)		**52.4**	**56.8**
Attributable to:			
Owners of the Company		52.4	57.2
Non-controlling interest		–	(0.4)
Total comprehensive income/(loss)		**52.4**	**56.8**

The notes on page 67 to page 118 are an integral part of these consolidated financial statements.

Consolidated balance sheet

As at December 31, 2016

(x 1 million euro)	Note	December 31, 2016	December 31, 2015
Assets			
Property, plant and equipment	5.1	632.0	526.4
Intangible assets	5.2	548.9	445.7
Other investments	5.3	3.1	3.2
Deferred income tax	5.4	9.5	8.6
Total non-current assets		**1,193.5**	**983.9**
Inventories	5.5	242.9	206.6
Derivative financial instruments	3.1.1	10.5	4.1
Current income tax receivable		0.3	0.7
Trade and other receivables	5.6	377.7	349.2
Cash and cash equivalents	5.7	139.1	95.7
Total current assets		**770.5**	**656.3**
Assets classified as held for sale	5.8	–	0.9
Total assets		**1,964.0**	**1,641.1**
Equity			
Issued share capital		9.7	9.7
Share premium		533.0	533.0
Other reserves		(23.0)	6.1
Retained earnings		(62.7)	(77.2)
Result for the year		81.5	42.2
Total equity	5.9	**538.5**	**513.8**
Liabilities			
Loans and borrowings	5.10	749.7	549.0
Derivative financial instruments	3.1.3	11.9	10.2
Employee benefits provisions	5.11	46.4	32.3
Other provisions	5.12	1.6	3.8
Deferred income tax	5.4	23.5	9.3
Total non-current liabilities		**833.1**	**604.6**
Loans and borrowings	5.10	11.1	4.2
Derivative financial instruments	3.1.3	–	0.6
Trade and other payables	5.13	554.7	499.3
Current income tax liabilities		22.6	14.4
Provisions	5.12	4.0	4.2
Total current liabilities		**592.4**	**522.7**
Total liabilities		**1,425.5**	**1,127.3**
Total equity and liabilities		**1,964.0**	**1,641.1**

The notes on page 67 to page 118 are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

For the year ended December 31, 2016

(x 1 million euro)	Issued share capital	Share premium	Other reserves	Retained earnings	Result for the period	Total	Non-controlling interest	Total equity
Balance as at January 1, 2016	**9.7**	**533.0**	**6.1**	**(77.2)**	**42.2**	**513.8**	**–**	**513.8**
Other comprehensive income/(loss)	–	–	(29.1)	–	–	(29.1)	–	(29.1)
Profit/(loss)	–	–	–	–	81.5	81.5	–	81.5
Total comprehensive income/(loss)	**–**	**–**	**(29.1)**	**–**	**81.5**	**52.4**	**–**	**52.4**
Appropriation of result	**–**	**–**	**–**	**42.2**	**(42.2)**	**–**	**–**	**–**
Dividends paid				(27.7)		(27.7)		(27.7)
Total transactions with owners recognized directly in equity	**–**	**–**	**–**	**(27.7)**	**–**	**(27.7)**	**–**	**(27.7)**
Balance as at December 31, 2016	**9.7**	**533.0**	**(23.0)**	**(62.7)**	**81.5**	**538.5**	**–**	**538.5**
Balance as at January 1, 2015	**5.9**	**440.7**	**(8.9)**	**(117.8)**	**38.6**	**358.5**	**2.8**	**361.3**
Other comprehensive income/(loss)	–	–	15.0	–	–	15.0	–	15.0
Profit/(loss)	–	–	–	–	42.2	42.2	(0.4)	41.8
Total comprehensive income/(loss)	**–**	**–**	**15.0**	**–**	**42.2**	**57.2**	**(0.4)**	**56.8**
Appropriation of result	**–**	**–**	**–**	**38.6**	**(38.6)**	**–**	**–**	**–**
Share capital change nominal value	3.0	(3.0)	–	–	–	–	–	–
Share capital issued	0.8	99.2	–	–	–	100.0	–	100.0
Incremental costs new shares		(3.9)	–	–	–	(3.9)	–	(3.9)
Buy non-controlling interest	–	–	–	2.0	–	2.0	(2.4)	(0.4)
Total transactions with owners recognized directly in equity	**3.8**	**92.3**	**–**	**2.0**	**–**	**98.1**	**(2.4)**	**95.7**
Balance as at December 31, 2015	**9.7**	**533.0**	**6.1**	**(77.2)**	**42.2**	**513.8**	**–**	**513.8**

For notes on equity a reference is made to 5.9.

The notes on page 67 to page 118 are an integral part of these consolidated financial statements.

Consolidated statement of cash flows

For the year ended December 31, 2016

(x 1 million euro)	Note	December 31, 2016	December 31, 2015
Profit/(loss) after tax including discontinued operations		**81.5**	**41.8**
Adjustments for:			
Depreciation, amortization and impairments	4.6	87.6	84.5
Net change in fair value derivative financial instruments		(0.6)	1.4
Net finance costs	4.8	18.7	49.9
(Gain)/loss on sale of property, plant and equipment	4.3	(0.4)	(0.3)
Income tax expense/(benefit)	4.9	29.1	18.8
Movement in employee benefit provisions and other provisions	5.11/5.12	(2.3)	(0.1)
Pension plan amendment		–	(8.0)
Cash flow from operating activities before changes in working capital		**213.6**	**188.0**
Changes in:			
Inventories	5.5	(27.6)	(15.4)
Trade and other receivables	5.6	(15.7)	38.4
Trade and other payables	5.13	25.0	(10.9)
Total change in working capital		**(18.3)**	**12.1**
Interest received		0.1	0.4
Interest paid		(16.8)	(34.3)
Early repayment fee		–	(13.3)
Income taxes paid		(22.1)	(23.0)
Net cash generated from operating activities		**156.5**	**129.9**
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment	5.1	1.4	2.7
Purchase of property, plant and equipment	5.1	(81.4)	(84.2)
Purchase of intangible assets	5.2	(2.7)	(2.0)
Purchase/sale of other investments	5.8	0.1	2.5
Acquisition of subsidiaries, net cash acquired	6.1	(138.0)	–
Net cash used in investing activities		**(220.6)**	**(81.0)**
Cash flows from financing activities			
Proceeds from loans and borrowings	5.10	197.5	519.1
Repayment of loans and borrowings	5.10	(65.5)	(665.5)
Proceeds of new issued shares		–	100.0
Incremental costs on issue new shares		–	(3.9)
Dividend payment		(27.3)	–
Net cash (used in)/from financing activities	5.8	**104.7**	**(50.3)**
Net cash (used in)/from operating, investing and financing activities		**40.6**	**(1.4)**
Translation adjustment		(4.5)	0.5
Movement in cash and cash equivalents		**36.1**	**(0.9)**
Cash and cash equivalents as at January 1	5.7	95.7	96.6
Cash and cash equivalents as at December 31	5.7	**139.1**	**95.7**
Bank overdraft		**(7.3)**	**–**
Cash movement		**36.1**	**(0.9)**

The cash flow statement is prepared according the indirect method.

The notes on page 67 to page 118 are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

1 GENERAL

1.1 Reporting entity

Refresco Group N.V. ('Refresco Group' or the 'Company' or, together with its group companies, the 'Group') is domiciled in the Netherlands, with its registered office at Fascinatio Boulevard 270, 3065 WB Rotterdam, trade register number 24395416 whose shares are publicly traded. The companies in note 3.1 of the company only financial statements have all been included in the consolidated financial statements.

The activities of the Group consist of the manufacturing of fruit juices and soft drinks for retailers and A-brands. Sales and production are made both domestically and abroad, the European Union being the most important market followed by the United States.

1.2 Basis of preparation

Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. The consolidated financial statements have been prepared on the historical cost convention except for derivative financial instruments which are measured at fair value.

The consolidated financial statements were approved by the Supervisory Board on March 8, 2017 and will be adopted by the Annual General Meeting of Shareholders on May 9, 2019.

The Company financial statements are part of the 2016 financial statements of Refresco Group N.V.

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Euros, which is the Group's presentation currency. All financial information presented in Euros has been rounded to the nearest million with one decimal, unless stated otherwise.

2 SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of consolidation

Subsidiaries

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at December 31, 2016. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group.
The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

Transactions eliminated on consolidation
Intra-group balances and transactions, and any unrealized income and 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.

2.2 Foreign currency

Functional and presentation currency
Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'), which equals the presentation currency, which is the Euro, except for UK (GBP), US (USD) and Poland (PLN).

Transactions and balances in foreign currency
Transactions in foreign currencies are translated into the respective functional currencies of Group entities at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognized in profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognized in OCI until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in OCI.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognized in OCI or profit or loss are also recognized in OCI or profit or loss, respectively).

Foreign operations
The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into Euros at the exchange rate at the reporting date. The income and expenses of foreign operations are translated into Euros at the exchange rates at the dates of the transactions (or at an average rate if this is not an unreasonable approximation).

Foreign currency differences arising thereon are recognized, in other comprehensive income, in the foreign currency translation reserve. When a foreign operation is disposed of, either in part or in full, the associated cumulative amount in the foreign currency translation reserve is transferred to profit or loss as an adjustment to the profit or loss on disposal.

Foreign exchange gains and losses arising on a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future, are considered to form part of the net investment in the foreign operation and are recognized in other comprehensive income in the foreign currency translation reserve.

2.3 Financial instruments

Non-derivative financial instruments
Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, non-derivative financial instruments are measured as described below.

Cash and cash equivalents comprise cash balances, checks in transit and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the cash management processes are included as a component of cash and cash equivalents for the purpose of the cash flow statement.
The accounting for finance income and expense is described in note 2.17.

Derivative financial instruments and hedging activities
The Group holds derivative financial instruments (interest rate swaps, commodity hedges, forward exchange contracts and currency options) to hedge its foreign currency, commodity and interest rate risk exposures. The Group seeks to apply hedge accounting in order to minimize the effects of fluctuations of foreign currencies and interest rates in the profit or loss.

Derivative financial instruments are initially recognized at fair value on the date a derivative contract is entered into and are subsequently re-measured at fair value. The method of recognizing the resulting gain or loss depends on whether the derivative financial instrument is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group applies cash flow hedge accounting.

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The effective portion of changes in the fair value of derivative financial instruments that are designated and qualify as cash flow hedges is recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized in the income statement immediately.

When the hedged item is a non-financial asset, the amount recognized in other comprehensive income is transferred to the carrying amount of the asset when it is recognized. In other cases the amount recognized in other comprehensive income is transferred to the same line of profit or loss in the same period that the hedged item affects profit or loss. Where the financial instruments are held to hedge foreign currency purchases of raw materials and consumables, the changes are included in raw materials and consumables used. Where the instruments are held to hedge interest rate risk exposure, the changes are included in finance income and expense.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, then hedge accounting is discontinued and the cumulative unrealized gain or loss previously recognized in other comprehensive income and presented in the hedging reserve in equity, is recognized in profit or loss immediately, or when a hedging instrument is terminated, but the hedged transaction still is expected to occur, the cumulative gain or loss at that point remains in other comprehensive income and is recognized in accordance with the above-mentioned policy when the transaction occurs.

The fair values of various derivative instruments used for hedging purposes are disclosed in note 3.3. Movements of the hedging reserve in other comprehensive income are shown in note 5.9. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortized cost using the effective interest method, less any impairment losses. They are included in current assets, except for loans and receivables for which the expected settlement is greater than 12 months after the balance sheet date.

Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a pre-payment for liquidity services and amortized over the period of the facility to which it relates.

Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

2.4 Share capital

Ordinary share capital

Ordinary share capital is classified as equity. 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.

Preference share capital

Preference share capital is classified as equity if it is non-redeemable, or redeemable only at the Company’s option, and any dividends are discretionary for the Company. Dividends thereon are recognized as distributions within equity upon approval by the General Meeting of Shareholders.

2.5 Non-controlling interest

The Group recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest’s proportionate share of the recognized amounts of acquiree’s identifiable net assets.

Subsequently profits are allocated to non-controlling interest based on their net effective interest in the subsidiary.

2.6 Property, plant and equipment

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 condition suitable for their intended use, and the costs of dismantling and removing the items and restoring of the site on which they are located. Borrowing costs that are directly attributable to the acquisition or construction of a qualifying asset are allocated to the assets when incurred.

When elements 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.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the net proceeds of disposal with the carrying amount and are recognized on a net basis in other income in profit or loss.

Subsequent costs

The cost of replacing part 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 part will flow to the Group and its cost can be measured reliably, the carrying amount of the replaced part is derecognized. The costs of the day-to-day maintenance of property, plant and equipment are recognized in profit or loss as incurred.

Depreciation

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each element of an item of property, plant and equipment. Land is not depreciated.

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

- Buildings : 25 years
- Machinery and equipment : 5-10 years
- Other fixed assets : 3-10 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

2.7 Intangible assets

Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over the Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the CGUs, or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognized immediately as an expense and is not subsequently reversed.

Other intangibles

Software acquired by the Group is measured at cost less accumulated amortization and accumulated impairment losses. Subsequent expenditure is capitalized only to the extent that 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 profit or loss as incurred. Amortization is recognized in the income statement on a straight-line basis over the estimated useful lives, generally 3 years.

Brands acquired, separately or as part of a business combination, are capitalized if they meet the definition of an intangible asset and the recognition criteria are satisfied. Brands acquired as part of a business combination are valued at fair value based on the relief from royalty method. Brands are amortized on an individual basis over the estimated useful life of the brand.

Customer and sales channel-related and contract-based intangibles are capitalized if they meet the definition of an intangible asset and the recognition criteria are satisfied. The relationship between brands and customer and sales channel-related intangibles is carefully considered so that brands and customer and sales channel-related intangibles are not both recognized on the basis of the same cash flows. Customer and sales channel-related and contract-based intangibles acquired as part of a business combination are valued at fair value and amortized over the period of the contractual arrangements or the remaining useful life of the customer relationships.

2.8 Leased assets

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

The Group leases certain property, plant and equipment. Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. The main estimates and assumptions relate to residual values, applicable interest rates, and economic lifetime of the assets and

determination of the minimum lease payments. Finance leases are capitalized at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in other long term payables. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

Other leases are operating leases and are not recognized on the balance sheet and disclosed in note 6.2.

2.9 Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on the first-in first-out method, and includes expenditure incurred in acquiring the inventories, production and conversion costs and other costs incurred in bringing them to their existing location and condition. The cost of finished goods and work in progress includes an appropriate share of production overheads based on normal operating capacity. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

2.10 Impairment

Financial assets

Financial assets are assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of the asset that can be reliably estimated. Impairment losses in respect of financial assets measured at amortized cost are calculated as the difference between the carrying amounts and present values of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is measured by reference to its fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. Impairment losses are recognized in profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost and for debt instruments measured in the available for sale category the reversal is recognized in profit or loss.

Non-financial assets

The carrying amounts of 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 lives or that are not yet available for use, the recoverable amount is estimated annually.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped at the lowest levels for which there are separately identifiable cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the 'cash-generating units').

For the purpose of impairment testing, the goodwill acquired in a business combination is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for 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.

2.11 Assets classified as held for sale and discontinued operations

The Group classifies non-current assets (or disposal groups) as held for sale when the carrying amounts will be recovered principally through a sale transaction and a sale is highly probable. Immediately before classification as held for sale, the assets are re-measured in accordance with the accounting policies of the Group. Thereafter the assets are generally measured at the lower of their carrying amount and fair value less costs to sell. Impairment losses on initial classification as held for sale and subsequent gains or losses on re-measurement are recognized in profit or loss. Gains are not recognized in excess of any cumulative impairment loss.

Property, plant and equipment and intangible assets are not depreciated or amortized once classified as held for sale.

Assets and liabilities classified as held for sale are presented separately in the statement of financial position.

A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- Represents a separate major line of business or geographical area of operations
- Is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
- Is a subsidiary acquired exclusively with a view to resale

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of profit or loss.

2.12 Employee benefits

The Group operates various post-employment schemes, including both defined benefit and defined contribution pension plans.

Defined contribution plans

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid.

The contributions are recognized as employee benefit expense when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

Defined benefit plans

A defined benefit plan is a pension plan that is not a defined contribution plan. Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.
In countries where there is no deep market in such bonds, the market rates on government bonds are used.

For pension plans whereby a limit on the employer's future contribution to the pension plans exist, the Group will reflect this limit in its calculations. For these plans the Group will apply a liability cap in case the present value of the future service cost exceeds the present value of the future maximum employer contributions and the defined benefit obligation exceeds the asset value. The liability cap does not exceed the difference between the defined benefit obligation and the asset value.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited in other comprehensive income in the period in which they arise.
Past-service costs are recognized immediately in income.

Multi-employer plans

The Group also facilitates multi-employer plans, in which various employers contribute to one central pension union.

In accordance with IAS 19R, as the pension union managing the plan is not able to provide the Group with sufficient information to enable the Group to account for the plan as a defined benefit plan, the Group accounts for its multi-employer defined benefit plan as if it were a defined contribution plan.

Other long term employee benefits

The net obligation in respect of long term employee benefits other than pension plans is the amount of future benefit that employees have earned in return for their service in the current and prior years; that benefit is discounted to determine its present value, and the fair value of any related assets is deducted. The discount rate is the yield at the reporting date on AA credit-rated bonds that have maturity dates approximating the terms of the obligations of the Group.
The calculation is performed using the projected unit credit method. Actuarial gains or losses are recognized in profit or loss in the period in which they arise.

Termination benefits

Termination benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of either an entity's decision to terminate an employee's employments before the normal retirement date; or an employee's decision to accept an offer of benefits in exchange for the termination of employment. A liability is recognized at the earlier of the following dates: when the entity can no longer withdraw the offer of those benefits; and when the entity recognizes costs for a restructuring and involves the payment of termination benefits.

Short term 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 or profit-sharing plans if the Group has a legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be reliably estimated.

2.13 Provisions
A provision is recognized if, as a result of a past event, the Group has a legal or constructive obligation that can be reliably estimated 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.

Restructuring
A provision for restructuring is recognized when the Group has approved a detailed and formal restructuring plan, and the restructuring has either commenced or been publicly announced. Future operating costs are not provided for.

2.14 Revenue
Products sold
Revenue from the sale of products is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognized when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

Contract manufacturing
Contract manufacturing consists of the provision of manufacturing services and sale of the resultant product. The nature and the risk profile of the contract with the customer are key in determining whether the Group is providing a manufacturing service or is selling a product. The revenue is recognized solely for the activities, ingredients and materials for which the Group is the principal and has the risk and rewards.

2.15 Government grants
Government grants are recognized at their fair value when it is reasonably assured that the Group will comply with the conditions attaching to them and that the grants will be received. Government grants relating to property, plant and equipment are deducted from the carrying amount of the asset. Government grants relating to period costs are deferred and recognized in the income statement over the period necessary to match them with the costs they are intended to compensate.

2.16 Lease payments
Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized, as an integral part of the total lease expense, over the term of the lease. Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period of the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are expensed as occurred.

2.17 Finance income and expense
Finance income comprises interest income on bank deposits and fair value gains on interest hedging instruments that are recognized in profit or loss. Interest income is recognized in profit or loss as it accrues, using the effective interest method. Finance expense comprises interest expense on borrowings including derivative financial instruments, the unwinding of discount on provisions and fair value losses on interest hedging instruments that are recognized in profit or loss.

2.18 Income tax
Income tax expense comprises current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized in equity or other comprehensive income in which case the income tax expense is also recognized in equity or other comprehensive income.

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

Deferred tax is recognized using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax liabilities are recognized for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences in the reporting period 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
- if they relate to income taxes levied by the same tax authority on the same taxable entity or on different taxable entities which intend to settle current tax liabilities and assets on a net basis or the tax assets and liabilities of which will be realized simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference 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.

2.19 New standards and interpretations

The following new standards and amendments became effective as of 1 January 2016:
- Amendments to IAS 16 and IAS 38 – Clarification of Acceptable Methods of Depreciation and Amortization, effective 1 January 2016
- Amendments to IFRS 11 - Accounting for Acquisition of Interests in Joint Operations, effective 1 January 2016
- Amendments to IAS 16 and IAS 41- Agriculture: Bearer Plants, effective 1 January 2016
- Amendments to IAS 27- Equity Method in Separate Financial Statements, effective 1 January 2016
- Annual Improvements to IFRSs 2012-2014 Cycle, effective 1 January 2016
- Amendments to IFRS 10, IFRS 12 and IAS 28 - Investment Entities: Applying the Consolidation Exception, effective 1 January 2016
- Amendments to IAS 1 – Disclosure Initiative, effective 1 January 2016
- Amendments to IAS 19 Employee Benefits – Defined Benefit Plans: Employee Contributions, effective 1 February 2015
- Annual Improvements to IFRSs 2010-2012 Cycle (issued December 2013), effective 1 February 2015

These standards and amendments do not have a material impact on the Group's consolidated financial statements.

The following standards are issued but not yet effective as of 31 December 2016:
- IFRS 9 Financial Instruments (issued in 2014), effective 1 January 2018
- IFRS 15 Revenue from Contracts with Customers, effective 1 January 2018
- IFRS 16 Leases, effective 1 January 2019
- Amendments to IAS 12 - Recognition of Deferred Tax Assets for Unrealized Losses, effective 1 January 2017
- Amendments to IAS 7 - Disclosure Initiative, effective 1 January 2017
- IFRS 15 Revenue from Contracts with Customers, including amendments to IFRS 15: Effective date of IFRS 15 and Clarifications to IFRS 15 Revenue from Contracts with Customers, effective 1 January 2018
- Amendments to IFRS 2 - Classification and Measurement of Share-based Payment Transactions, effective 1 January 2018
- Amendments to IAS 40 Investment Property – Transfers of Investment Property3, effective 1 January 2018
- IFRIC 22 Foreign Currency Transactions and Advance Consideration3, effective 1 January 2018
- Annual Improvements to IFRSs 2014-2016 Cycle (issued December 2016), effective 1 January 2017 and 1 January 2018

The Group is reviewing the impact of these standards and amendments on the Group's consolidated financial statements.

For IFRS 15 the Group will recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group uses the five-step model framework and expect no difficulties in identifying contracts with customers, identifying performance obligations, determining the transaction prices, allocate the transaction price to the performance obligations and revenue recognition when the Group satisfies the performance obligations. The Group expects for the main part of the customer contract no significant changes. The Group is reviewing customer contracts for presence of variable considerations such as discounts, rebates, refunds, credits, price concessions, incentives, performance bonuses, penalties and/or any other compensations received from clients. The Group is not able to make a proper and reliable assessment of the quantitative impact of the new standard. The Group will report the estimated impact of IFRS 15 on the financials in the second quarter of 2017.

The Group leases office buildings, warehouses, machinery and equipment and cars. For the year 2016 the Group recognizes an expense in the income statement of EUR 34.7 million and reports a contingent liability relating these assets of EUR 145.4 as per December 31, 2016 (see note 6.2). Under IFRS 16 the most of these contracts classify as leases because the Group has the right to control the assets. Under IFRS 16 the asset value of these assets will be recorded as Property, plant and equipment and the corresponding lease liability will be recorded as a liability. Besides the lease expenses will be transferred from the Other operating expenses to Depreciation, Amortization and impairments and Finance expenses. The Group is reviewing the lease contracts, identifying proper measurements and establishing the transition method. At this moment the Group is not able to make a proper and reliable assessment of the quantitative impact of the new standard.

2.20 Segment reporting

Refresco's operating segments are Europe and US that engage in business activities from which they earn revenues and incur expenses and whose operating results are regularly reviewed by the Executive Board, being the Chief Operating Decision Maker, to make decisions about resources to be allocated to the segments and to assess their performance.

Europe is centrally organized to maximize operational efficiencies, synergies, and funding through its headquarters in Rotterdam. The central activities include decisions related to allocating resources, (central) sales, operations and footprint, financing of the Group, procurement, major investments and acquisitions, human resources, treasury, reporting and ICT. In order to use its European footprint for reduction of production and transportation costs, and to be close to local clients, the segment Europe has seven regionally-focused business units, which focus on (local) sales and production.

US is centrally organized, with the headquarter in Tulsa, Oklahoma and has three regionally-focused business units, which focus on (local) sales and production.

The segments' performance is evaluated against several measures, of which operating income is the most important. Intersegment sales are executed under normal commercial terms and conditions that would also be available to unrelated third parties. Net sales are attributed to geographic regions based on the location of stores.

The segment reporting is disclosed in note 4.1 and the entity-wide disclosures have been included in note 4.1, 5.1 and 5.2.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk

The Group's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including foreign currency risk, fair value interest rate risk, cash flow interest rate risk and price risk). The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

The Executive Board has the responsibility for the establishment and oversight of the risk management framework of the Group.

Risk management policies of the Group 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 in the activities of the Group.

Through its training program and its management standards and procedures, the Group aims to develop a disciplined and constructive control environment in which all employees understand their roles and responsibilities.

The Supervisory Board oversees management's monitoring of compliance with the risk management policies and procedures of the Group and it reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

3.1.1 Credit risk

Credit risk represents the risk that counter parties fail to meet their contractual obligations, and arises principally in the receivables from customers, cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions. The Group does not have any significant concentration of credit risk. In order to reduce the exposure to credit risk, the Group carries out ongoing credit evaluations of the financial position of customers but generally does not require collateral. Use is made of a combination of independent ratings and risk controls to assess the credit quality of the customer, taking into account its financial position, past experience and other factors. Sales are subject to payment conditions which are common practice in each country.

The banks and financial institutions used as counterparty for holding cash and cash equivalents and deposits and in derivative transactions can be classified as high credit quality financial institutions (minimal A rating Standard & Poor's).

The Group has policies that limit the amount of credit exposure to individual financial institutions. Management believes that the likelihood of losses arising from credit risk is remote particularly in the light of the diversification of activities.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure at the reporting date:

(x 1 million euro)		Carrying amount	
	Note	2016	2015
Non-current investments	5.3	3.1	3.2
Trade and other receivables	5.6	377.7	349.2
Derivative financial instruments	5.3	10.5	4.1
Cash and cash equivalents	5.7	139.1	95.7
Bank overdrafts	5.7	(7.3)	–
		523.1	**452.2**

The maximum exposure to credit risk for trade and other receivables at the reporting date by currency is as follows:

(x 1 million euro)	Carrying amount	
	2016	2015
Euro-zone countries (EUR)	275.2	245.2
UK (GBP)	76.1	84.7
Poland (PLN)	13.5	19.3
USA (USD)	12.9	–
	377.7	**349.2**

Ageing trade and other receivables and impairment losses:

(x 1 million euro)	2016		2015	
	Gross	Impairment	Gross	Impairment
Not past due	343.2	–	328.9	–
Past due 0 – 30 days	29.3	–	15.2	–
Past due 31 – 60 days	4.5	–	3.3	–
Past due more than 60 days	6.2	5.5	7.0	5.2
	383.2	**5.5**	**354.4**	**5.2**

The movements in the impairment loss in respect of trade and other receivables during the year were as follows:

(x 1 million euro)	2016	2015
January 1	5.2	5.0
Impairment loss recognized	0.3	1.7
Acquisitions	0.2	–
Write-off	(0.2)	(1.5)
December 31	**5.5**	**5.2**

The Group determines impairment losses on the basis of specific estimates of losses incurred in respect of trade and other receivables. Based on historic default rates, the Group believes that no impairment loss has occurred in respect of trade receivables not past due or past due by up to 60 days.

3.1.2 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The approach of the Group to managing liquidity risk is to ensure, as far as possible, that it always has sufficient liquidity to meet its liabilities when due, under both normal and more extreme conditions, without incurring unacceptable losses or risking damage to the reputation of the Group. The Group has a clear focus on financing long term growth as well as current operations. Strong cost and cash management and controls over working capital and capital expenditure proposals are in place to ensure effective and efficient allocation of financial resources.

The contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements, if applicable, are as shown in the following table. Insofar as these cash flows depend on future floating interest rates, which were unknown on the balance sheet date, the cash flows have been estimated on the basis of rates prevailing on the balance sheet date.

December 31, 2016

(x 1 million euro)	Carrying amount	Contractual cash flows	6 months or less	6 – 12 months	1 – 2 years	2 – 3 years	3 – 4 years	4 – 5 years	> 5 years
Non-derivative financial liabilities									
Syndicated loan	727.8	784.4	6.3	6.3	12.6	12.6	12.6	734.0	–
Mortgage	25.3	31.1	1.6	1.6	3.3	3.3	3.3	3.3	14.7
Revolving credit facility	–	3.6	0.4	0.4	0.8	0.8	0.8	0.4	–
Capitalized finance costs	(7.0)	–	–	–	–	–	–	–	–
Finance lease and other loans	7.4	7.6	0.6	0.6	1.2	1.2	1.2	1.4	1.4
Trade and other payables	554.7	554.7	554.7	–	–	–	–	–	–
Current income tax liabilities and short term provisions	26.6	26.6	26.6	–	–	–	–	–	–
	1,334.8	**1,408.0**	**590.2**	**8.9**	**17.9**	**17.9**	**17.9**	**739.1**	**16.1**
Derivative financial liabilities									
Interest rate swaps	11.9	15.7	2.4	2.6	3.8	4.1	2.6	0.2	–

The Group has an undrawn revolving credit facility maturing in 2021 of EUR 150.0 million and a credit facility of GBP 2.5 million (EUR 2.9 million) in the UK. The contractual cash flows for the revolving credit facility relate to the commitment fee of the revolving credit facility of EUR 150 million.

December 31, 2015

(x 1 million euro)	Carrying amount	Contractual cash flows	6 months or less	6 – 12 months	1 – 2 years	2 – 3 years	3 – 4 years	4 – 5 years	> 5 years
Non-derivative financial liabilities									
Syndicated loan	522.0	567.8	5.2	5.2	10.4	10.4	10.4	526.2	–
Mortgage	32.6	40.4	1.9	1.9	3.9	3.9	3.9	3.9	21.0
Revolving credit facility	–	–	–	–	–	–	–	–	–
Capitalized finance costs	(6.0)	–	–	–	–	–	–	–	–
Finance lease and other loans	4.6	4.8	0.4	0.4	0.3	0.6	0.6	0.6	1.9
Trade and other payables	499.3	499.3	499.3	–	–	–	–	–	–
Current income tax liabilities and short term provisions	18.6	18.6	18.6	–	–	–	–	–	–
	1,071.1	**1,130.9**	**525.4**	**7.5**	**14.6**	**14.9**	**14.9**	**530.7**	**22.9**
Derivative financial liabilities									
Interest rate swaps	10.2	14.1	1.6	1.6	3.2	2.8	2.8	1.9	–

3.1.3 Market risk

Foreign currency risk

The Group is exposed to currency risk mainly on purchases denominated in USD. At any point in time the Group hedges 80 to 100% of its foreign currency exposure on contracted forecasted purchases. The Group uses currency option contracts and forward exchange contracts to hedge its currency risks, most of which have a maturity date of less than one year from the reporting date. When necessary, foreign currency contracts are rolled over on maturity.

In respect of other monetary assets and liabilities denominated in foreign currencies, the Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates, as necessary, to address short term imbalances.

In order to minimize the impact of accounting mismatches in the profit or loss account, the Group applies cash flow hedge accounting. The effectiveness of the hedge relationship is measured based on changes in intrinsic value of options and fair value of forward contracts. The changes in time value of the currency options are directly recorded in the income statement, as part of raw material costs. Per year-end the cash flow hedge accounting relationships were fully effective. There are no forecasted transactions for which hedge accounting has been applied, but which are no longer expected to occur. The fair value of foreign currency instruments per reporting date is EUR 9.7 million debit (2015: EUR 4.1 million debit).

The Group records a hedge reserve of EUR 5.0 million profit net of deferred taxes in equity (2015: EUR 1.6 million profit) relating to the effective part of the intrinsic value changes of the foreign currency option contracts and the fair value of the forward contracts. During 2016 and 2015 no amounts were recorded in raw material costs due to ineffectiveness.

The amounts deferred in equity at year-end are expected to occur and to affect profit or loss for majority in 2016. All of the resulting fair value estimates are included in Level 2.

The notional amounts of exposure to significant foreign currency risks were as follows:

(x 1 million euro)					2016					2015
	USD	USD	USD	USD	EUR	USD	USD	USD	USD	EUR
	EUR/USD	GBP/USD	PLN/USD	Total USD	GBP/EUR	EUR/USD	GBP/USD	PLN/USD	Totaal USD	GBP/EUR
Trade payables	39.4	22.9	0.3	62.6	11.3	33.9	13.0	1.1	48.0	22.0
Estimated forecast purchases	94.5	49.8	5.1	149.4	62.4	89.8	20.3	4.2	114.3	28.3
Gross exposure	**133.9**	**72.7**	**5.4**	**212.0**	**73.7**	**123.7**	**33.3**	**5.3**	**162.3**	**50.3**
Forward exchange contracts/ currency option contracts	(92.6)	(44.6)	(5.1)	(142.3)	(56.7)	(98.6)	(27.4)	(4.2)	(130.3)	(44.1)
Net exposure	**41.3**	**28.1**	**0.3**	**69.7**	**17.0**	**25.1**	**5.9**	**1.1**	**32.0**	**6.2**

The change in fair value of the financial instruments used to hedge currency risk is included in raw materials and consumables in the income statement, except for the instruments for which hedge accounting is applied.

The following significant exchange rates were applied during the year:

Value of EUR 1	Average		Year-end	
	2016	2015	2016	2015
USD	1.11	1.10	1.06	1.09
GBP	0.82	0.73	0.86	0.73
PLN	4.37	4.18	4.42	4.26

Sensitivity analysis

A 10% strengthening or weakening of the Euro against the USD, the GBP against the USD, the Zloty against the USD and the GBP against the EUR at reporting date would have changed equity and profit or loss by the amounts shown below.

December 31, 2016

(x 1 million euro)	EUR/USD		GBP/USD		GBP/EUR		PLN/USD		PLN/EUR	
	10% strength	10% weak	10% strength	10% weak	10% strength	10% weak	10% strength	10% weak	10% strength	10% weak
	Profit/(loss)		Profit/(loss)		Profit/(loss)		Profit/(loss)		Profit/(loss)	
Trade payables	3.4	(4.1)	2.0	(2.4)	1.0	(1.3)	–	–	0.9	(1.1)
Foreign currency hedge	(1.7)	1.6	(0.8)	1.0	(1.6)	1.3	(0.1)	0.1	–	–
Effect profit/(loss) gross of tax	**1.7**	**(2.5)**	**1.2**	**(1.4)**	**(0.6)**	**–**	**(0.1)**	**0.1**	**0.9**	**(1.1)**
	OCI debit/(credit)		OCI debit/(credit)		OCI debit/(credit)		OCI debit/(credit)		OCI debit/(credit)	
Foreign currency hedge	3.3	(5.7)	2.3	(2.8)	3.4	(2.8)	0.3	(0.2)	–	–
Effect OCI net of tax	**3.3**	**(5.7)**	**2.3**	**(2.8)**	**3.4**	**(2.8)**	**0.3**	**(0.2)**	**–**	**–**

December 31, 2015

(x 1 million euro)	EUR/USD		GBP/USD		GBP/EUR		PLN/USD		PLN/EUR	
	10% strength	10% weak	10% strength	10% weak	10% strength	10% weak	10% strength	10% weak	10% strength	10% weak
	Profit/(loss)		Profit/(loss)		Profit/(loss)		Profit/(loss)		Profit/(loss)	
Trade payables	2.8	(3.4)	1.1	(1.4)	–	–	0.1	(0.1)	–	–
Foreign currency hedge	(1.9)	1.7	(0.8)	1.0	1.6	(2.0)	0.2	(0.3)	–	–
Effect profit/(loss) gross of tax	**0.9**	**(1.7)**	**0.3**	**(0.4)**	**1.6**	**(2.0)**	**0.3**	**(0.4)**	**–**	**–**
	OCI debit/(credit)		OCI debit/(credit)		OCI debit/(credit)		OCI debit/(credit)		OCI debit/(credit)	
Foreign currency hedge	3.3	(5.7)	1.1	(1.4)	(1.8)	2.1	(0.1)	0.1	–	–
Effect OCI net of tax	**3.3**	**(5.7)**	**1.1**	**(1.4)**	**(1.8)**	**2.1**	**(0.1)**	**0.1**	**–**	**–**

Interest rate risk

The Group is exposed to the effects of variable interest rates on interest-bearing long term liabilities, which is partly offset by cash held at variable rates. On fixed interest receivables and liabilities, it is exposed to market value fluctuations. For certain variable interest rate long term liabilities, the Group has entered into interest rate swap agreements through which the Group effectively pays fixed interest rates on these liabilities.

The Group applies cash flow hedge accounting to offset the profit or loss impact resulting of timing differences between variable interest rate liabilities and the interest rate swap. Throughout the year 2015 and 2016 as well as per year-end the cash flow hedge accounting relationships were effective.

The fair value of interest rate swaps per reporting date is EUR (11.9) million (2015: EUR (10.2) million). The effective part of the fair value changes of the interest rate swaps amounts to EUR 5.0 million loss net of deferred taxes in Other comprehensive income (2015: EUR 3.1 million loss).

In 2016 no amount (2015: EUR 0.1 million) was moved from the hedge reserve to financing costs. The amounts deferred in equity at year-end are expected to affect financing costs within the coming six years. All of the resulting fair value estimates are included in Level 2.

Profile

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was as follows:

(x 1 million euro)	Note	Carrying amount	
		2016	2015
Variable rate instruments			
Syndicated term loan and Mortgage loan	5.10	753.1	554.6
Non-current investments	5.3	(3.1)	(3.2)
Net cash as per December 31, 2016	5.7	(131.8)	(95.7)
		618.2	**455.7**
Notional amount interest rate swaps per year-end (floating to fixed)		(556.3)	(495.9)
Net position excluding cash		61.9	(40.2)

As at balance sheet date, interest rates were fixed on approximately 90.0% of the financial liability positions including the cash position as per balance date. The Group policy is to hedge 90 to 100% of the forecasted net interest rate risk, including a forecasted cash position. Per end of 2016 the forecasted position is in line with this policy.

Sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group does not designate derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model. Therefore a change in interest rates at the reporting date would not have affected profit or loss.

Sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have changed equity and profit or loss by the amounts shown in table below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

December 31, 2016

(x 1 million euro)	Profit/(loss)		OCI debit/(credit)	
	100 basis points increase	100 basis points decrease	100 basis points increase	100 basis points decrease
Net interest (paid)/received on variable rate instruments	(0.1)	(4.1)	–	–
Change fair value interest rate swaps	1.4	(1.4)	(11.6)	11.7
Total	**1.3**	**(5.5)**	**(11.6)**	**11.7**

December 31, 2015

(x 1 million euro)	Profit/(loss)		OCI debit/(credit)	
	100 basis points increase	100 basis points decrease	100 basis points increase	100 basis points decrease
Net interest (paid)/received on variable rate instruments	(5.5)	0.2	–	–
Change fair value interest rate swaps	5.0	(5.0)	13.1	(13.0)
Total	**(0.5)**	**(4.8)**	**13.1**	**(13.0)**

Price risk

The Group is exposed to commodity price risks. To manage these risks procurement operates within the framework of centrally specified policies and guidelines and must act in conformance with the required internal control measures.

The Group contract positions are based on a thorough understanding of the raw material markets and in principle contracted sales are covered back-to-back. The Group centralizes the procurement of raw materials, packaging materials and indirect spend for Europe. Authority levels of local management have been shifted towards the Group central procurement organization which is executing and monitoring the main contracts and important purchase decisions. Commodities are only purchased locally after approval of the central purchasing department. Contracts exceeding predefined limits must be authorized by the Executive Board. Existing contract positions are closely monitored and, when necessary, corrective actions are evaluated and implemented.

To enable the Group to stay abreast of the current situation in the raw materials markets and maintain its gross margins, it implements pass-on clauses into sales contracts with customers. In parallel, the quality of management information has been enhanced by the development of a network enabling knowledge of markets, suppliers and conditions of raw materials to be shared at Group level. The Group hedges the raw material aluminum through derivatives.

The fair value of this raw material derivative is recognized in profit and loss. The fair value per year-end is EUR 0.8 million (2015: EUR (0.6) million).

Pension risk

The Group contributes to a number of defined benefit plans that provide pension benefits to employees upon retirement in the Netherlands, Germany, Italy and the UK. The amount of the benefits depends on age, salary and years of service. Furthermore, the Group has an indemnity plan in France and obligations for jubilee in the Netherlands, Germany and France. The financial figures are affected by the market interest rates and fair value of listed bonds and equity shares included in plan assets. We refer to note 5.11.

3.2 Capital management

The policy of the Group is to maintain a sufficient capital base to maintain investor, creditor and market confidence and to sustain future development of the business and to maintain an optimal capital structure to reduce the cost of capital.

For the purpose of the Group's objective to maintain a sufficient capital base, the Group manages the Net debt ratio calculated as the Net debt divided by the last twelve months Adjusted EBITDA.

(x 1 million euro)	Note	2016	2015
Interest-bearing loans and borrowings long term	5.10	749.7	549.0
Interest-bearing loans and borrowings short term		11.1	4.2
Less: cash and short term deposits	5.7	(139.1)	(95.7)
Net debt		**621.7**	**457.5**
Equity	5.9	**538.5**	**513.8**
Operating result (EBIT)		129.3	110.5
Amortization, Depreciation, Impairment PP&E & IFA		87.6	84.5
EBITDA		**216.9**	**195.0**
Exceptional cost adjustment		5.1	21.2
Last twelve months Adjusted EBITDA		**222.0**	**216.2**
Net debt ratio		**2.8**	**2.1**

The Group calculates for the syndicated term loan agreement a more advanced Net debt ratio based on the agreement and amounts to 2.6 as per December 31, 2016.

The Loan agreement requires that this Net debt ratio (Leverage ratio) will not exceed: (a) in the case of each Relevant Period ending on or before 31 December 2018, 4.00:1.00; or (b) in the case of each Relevant Period ending after 31 December 2018, 3.75:1.00.

The mark-up for interest payable for the syndicated term loan and revolving credit facility is also depended on the Net debt ratio. See note 5.10.

The Group manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

3.3 Determination of fair values

A number of the 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 methods set out below. Where applicable further information regarding the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Property, plant and equipment

The fair value of property, plant and equipment recognized as a result of a business combination is based on market values. The market value of property is the estimated amount for which a property would likely be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The market value of items of machinery and equipment and other fixed assets is based on the quoted market prices for similar items.

Other intangible assets

The fair value of brands and sales channels acquired in a business combination is determined based on the relief of royalty method. The fair value of other intangible assets is based on the discounted cash flows expected to be derived from the use and eventual sale of these assets.

Inventories

The fair value of inventories acquired in a business combination is determined based on the estimated selling price in the ordinary course of business less the estimated costs of completion and sale and less a reasonable profit margin based on the effort required to complete and sell the inventories.

Trade and other receivables

The fair value of trade and other receivables equal the carrying amount due to the short term nature.

Levels of financial instruments

The Group defines the following different levels of fair value:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1)
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2)
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3)

Non-derivative financial liabilities

Fair value for disclosure purposes is based on their listed market price, if available. If a listed market price is not available, the fair value is estimated by calculating of the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For finance leases the market rate of interest is determined by reference to similar lease agreements.

Fair values

The carrying amounts of other financial assets and liabilities approximate their fair value as they have variable interest rates and the impact of discounting is therefore not significant.

The following table presents the Group's financial assets and liabilities that are measured at fair value at December 31, 2016. See note 5.8 for disclosures of assets held for sale that are measured at fair value.

December 31, 2016

(x 1 million euro)	Level 1	Level 2	Level 3	Total
FX instruments (debit)	–	9.7	–	9.7
Commodity swaps (debit)	–	0.8	–	0.8
Interest rate swaps	–	(11.9)	–	(11.9)
Total	**–**	**(1.4)**	**–**	**(1.4)**

December 31, 2015

(x 1 million euro)	Level 1	Level 2	Level 3	Total
FX instruments (debit)	–	4.1	–	4.1
Commodity swaps	–	(0.6)	–	(0.6)
Interest rate swaps	–	(10.2)	–	(10.2)
Total	**–**	**(6.7)**	**–**	**(6.7)**

Interest rates used for determining fair value

The interest rates used to discount estimated cash flows of derivative financial instruments, where applicable, are based on Eonia curve at the reporting date. The implicit interest rate used for the finance leases is 4.2% for 2016 (2015: 4.6%).

3.4 Offsetting financial assets and financial liabilities

The Group uses a cash pool structure to facilitate the central cash management function. The Group has the intention and the legal right to settle cash on a net basis.

December 31, 2016

(x 1 million euro)	Gross carrying amounts	Gross amounts offset	Net amount presented in statement of financial position	Amounts available to be offset in bankruptcy or default		Net exposure
				Financial instruments	Collateral	
Assets						
Cash and cash equivalents	148.2	(9.1)	139.1	–	–	139.1
Liabilities	(9.1)	9.1	–	–	–	–
Total	**139.1**	**–**	**139.1**	**–**	**–**	**139.1**

December 31, 2015

(x 1 million euro)	Gross carrying amounts	Gross amounts offset	Net amount presented in statement of financial position	Amounts available to be offset in bankruptcy or default		Net exposure
				Financial instruments	Collateral	
Assets						
Cash and cash equivalents	113.2	(17.5)	95.7	–	–	95.7
Liabilities	(17.5)	17.5	–	–	–	–
Total	**95.7**	**–**	**95.7**	**–**	**–**	**95.7**

For the financial assets and liabilities subject to enforceable master netting arrangements or similar arrangements above, each agreement between the Group and the counterparty allows for net settlement of the relevant financial assets and liabilities when either elect to settle on a net basis. In the absence of such an election, financial assets and liabilities will be settled on a gross basis; however, each party to the master netting agreement will have the option to settle all such amounts on a net basis in the event of default of the other party.

3.5 Use of estimates and judgments

The preparation of financial statements in conformity with IFRS as adopted by the European Union 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, especially the periodical review of useful lives and residual values of property plant and equipment. 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 subsequent periods affected.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognized in the consolidated financial statements:

Held for sale

In 2016 the Board of Directors announced its decision to close the Nieszawa plant in Poland. The plant is not yet available for sale. Management considered that the the criteria to be classified as held for sale are not met as per December 31, 2016.

Segmentation

Refresco's management defines the operating segments Europe and US in the context of IFRS 8. Because of the high level of centralization and integration within Europe, the Group considers Europa as one segment. The core functions for Europe are performed at the headquarter in Rotterdam and the Group applies the Pan European approach to its Europe operations. The core functions for US are performed separately from the Europe operations.

Contract manufacturing

Contract manufacturing consists of the provision of manufacturing services and sale of the resultant product. The nature and the risk profile of the contract with the customer are key in determining whether the Group is providing a manufacturing service or is selling a product.
The revenue is recognized solely for the activities, ingredients and materials for which the Group is the principal and has the risk and rewards.

Estimates

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Estimated goodwill

The group estimates the fair values of assets and liabilities acquired by acquisitions. This measurement is provisional and can be adjusted within 12 months after the date of each acquisition. The acquisitions are recorded in note 6.1.

Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 2.10.
The recoverable amounts of cash-generating units have been determined based on value-in-use calculations and are recorded in note 5.2. These calculations require the use of estimates.

Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the provision for income taxes. The Group recognizes liabilities for anticipated tax audit 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 recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

Fair value of derivatives and other financial instruments

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The Group uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. Additional information is disclosed in note 2.3.

Pension benefits

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations. The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Group considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension obligation. Other key assumptions for pension obligations are based in part on current market conditions. Additional information is disclosed in note 5.11.

Information for other areas of estimation and critical judgment used in applying accounting policies can be found in the following notes:

- Note 2.8: Leased assets
- Note 3: Financial risk management
- Note 5.1: Property plant and equipment
- Note 5.2: Intangible assets
- Note 5.12: Other provisions

4 NOTES TO THE CONSOLIDATED INCOME STATEMENT

4.1 Segment reporting

Refresco's operations are presented in two reportable segments Europe and US. In 2015 Refresco had one operating segment Europe. The accounting policies used for the segments are the same as the accounting policies used for the consolidated financial statements as described in note 2.

(x 1 million euro)	Note	December 31, 2016	December 31, 2016	December 31, 2016	December 31, 2015
		Europe	US	Refresco Group	Refresco Group
Consolidated income statement					
Revenue	4.2	2,068.5	38.9	2,107.4	2,016.4
Other income	4.3	0.4	–	0.4	0.5
Raw materials and consumables used	4.4	(1,177.6)	(14.2)	(1,191.8)	(1,148.3)
Employee benefits expense	4.5	(234.0)	(9.9)	(243.9)	(221.7)
Depreciation, amortization and impairments	4.6	(83.9)	(3.7)	(87.6)	(84.5)
Other operating expenses	4.7	(438.1)	(17.1)	(455.2)	(451.9)
Operating profit		**135.3**	**(6.0)**	**129.3**	**110.5**
Net finance costs		**(17.3)**	**(1.4)**	**(18.7)**	**(49.9)**
Profit/(loss) before income tax		**118.0**	**(7.4)**	**110.6**	**60.6**
Income tax (expense)/benefit	4.9	(31.2)	2.1	(29.1)	(18.8)
Profit/(loss) for the year		**86.8**	**(5.3)**	**81.5**	**41.8**
Total asset value		**1,856.6**	**185.5**	**1,964.0**	**1,641.1**
Total liabilities		**1,382.9**	**120.7**	**1,425.5**	**1,127.3**
Additions and business combinations					
Additions to property, plant and equipment, investment property, and intangible assets		81.5	6.3	87.8	80.8
Property, plant and equipment and intangible assets acquired through business combinations (including Goodwill)		109.4	127.4	236.8	–
Depreciation, amortization and impairments					
Depreciation of property, plant and equipment		79.9	3.5	83.4	81.1
Amortization of intangible assets		2.9	0.2	3.1	2.4
Impairment on tangible fixed assets		1.1	–	1.1	–
Impairment on assets held for sale		–	–	–	1.0
Depreciation, amortization and impairments		**83.9**	**3.7**	**87.6**	**84.5**

The total asset value of Europe and total liability of US includes an intercompany loan of EUR 78.1 million. The total revenue of the country of domicile amounts to EUR 594.8 million (2015: EUR 491.2 million). The total non-current assets of the country of domicile amounts to EUR 408.0 million (2015: EUR 340.0 million). The entity-wide disclosures have been included in note 5.1 and 5.2.

4.2 Revenue

(x 1 million euro)	2016	2015
Private label and own brands	1,623.6	1,654.0
Contract manufacturing	483.8	362.4
	2,107.4	**2,016.4**

The revenue by location of sales is set forth in the table below.

(x 1 million euro)	2016	2015
Benelux	506.1	410.2
Germany	414.2	439.7
France	315.4	312.4
Iberia	157.7	154.8
Italy	152.6	153.7
UK	378.6	377.0
Other	143.9	168.6
Total Europe	**2,068.5**	**2,016.4**
US	38.9	–
Total Group	**2,107.4**	**2,016.4**

The liters by location of sales are set forth in the table below.

(x 1 liters million)	2016	2015
Benelux	1,267.5	1,017.8
Germany	1,360.6	1,466.3
France	913.8	891.1
Iberia	581.1	571.5
Italy	837.4	860.3
UK	714.4	625.7
Other	528.2	662.8
Total Europe	**6,203.0**	**6,095.5**
US	259.3	–
Total Group	**6,462.3**	**6,095.5**

4.3 Other income

Other income relates entirely to gains and/or losses on sale of property, plant and equipment.

4.4 Raw materials and consumables used

(x 1 million euro)	2016	2015
Raw materials and consumables	801.6	719.9
Packaging materials	375.1	413.0
Product tax	15.1	15.4
	1,191.8	**1,148.3**

4.5 Employee benefits expense

(x 1 million euro)	Note	2016	2015
Wages and salaries		194.5	183.5
Compulsory social security contributions		40.7	36.9
Pension contributions to defined contribution schemes		6.3	3.2
Pension costs of defined benefit schemes	5.11	2.4	5.0
Pension costs of defined benefit past service cost	5.11	–	(8.0)
Pension costs of defined benefit schemes other		–	1.1
		243.9	**221.7**

During 2016 the average number of fixed employees in the Group, in full-time equivalents ('FTEs'), was 4,465 (2015: 4,029), of which 3,782 (2015: 3,499) were employed outside the Netherlands.

Pension costs of defined benefit schemes 2015 includes an income of EUR 8.0 million relating to the expiration of the defined benefit pension arrangement in the Netherlands.

4.6 Depreciation, amortization and impairments

(x 1 million euro)	Note	2016	2015
Depreciation of property, plant and equipment	5.1	83.4	81.1
Amortization of intangible assets	5.2	3.1	2.4
Impairment on tangible fixed assets	5.1	1.1	–
Impairment on assets held for sale	5.8	–	1.0
		87.6	**84.5**

In 2016 the impairment is related to land and buildings and machinery and equipment of the manufacturing site in Nieszawa (Poland).
In 2015 the impairment on asset held for sale is related to the impairment of the Heerlen (The Netherlands) plant based on a reassessment of the purchase price and clean-up cost. This plant was sold in 2016.

4.7 Other operating expenses

(x 1 million euro)	Note	2016	2015
Freight charges		92.2	100.9
Other cost of sales		71.8	62.6
Promotion costs		5.1	5.7
Temporary staff		26.6	20.0
Other personnel costs		15.4	14.6
Rent and leasing of machinery and equipment	6.2	22.9	25.4
Maintenance		56.6	52.7
Energy		46.0	48.8
Advice and legal costs		9.9	26.8
Housing costs, including rental of buildings	6.2	18.3	16.5
Storage costs		35.6	32.7
Other operating costs		54.8	45.2
		455.2	**451.9**

Advice and legal costs includes EUR 2.4 million related to the business acquisitions as disclosed in note 6.1. In 2015 this balance included EUR 16.8 million related to the process to actively explore a new capital structure to support future growth and EUR 1.3 million cost relating the refinancing.

4.8 Net finance costs

Net finance costs recognized in the income statement

(x 1 million euro)	2016	2015
Interest income	0.1	0.4
Finance income	**0.1**	**0.4**
Interest expense on financial liabilities measured with effective interest method	(17.1)	(31.1)
Early repayment fee Bond loan	–	(13.3)
Cost of borrowings	(1.6)	(7.4)
Change in fair value of derivatives recognized in profit and loss	(0.1)	1.5
Finance costs	**(18.8)**	**(50.3)**
Net finance costs	**(18.7)**	**(49.9)**

The net change in fair value of derivative financial instruments of EUR (0.1) million (2015: EUR 1.5 million) relates to changes in the fair value of the interest rate swaps concluded by the Group to hedge the external financing with variable interest rates. The amount reflects the change in fair value of interest rate swaps for which no hedge accounting is applied and/or the releases from other comprehensive income. The amounts are part of interest expenses.

The cost of borrowing relates to the financing costs which were capitalized in the aggregate amount and the effective interest method is applied. The amount 2015 includes the release of EUR 5.8 million related to the former capitalized finance cost relating Senior secured Notes and former revolving credit facility.

(x 1 million euro)	2016	2015
Initial capitalized amount		
Syndicated external loans 2015	5.1	5.1
Revolving credit facility 2015	1.5	1.5
Syndicated external loans 2016	2.7	–
Total	**9.3**	**6.6**
Capitalized amount		
Financing costs capitalized as at January 1	6.0	6.8
Write-down of financing cost related to the Senior secured notes and former revolving credit facility	–	(5.8)
Financing costs syndicate loan agreement	2.7	6.6
Amortization	(1.7)	(1.6)
Financing costs capitalized as at December 31	**7.0**	**6.0**

Finance income and costs recognized in other comprehensive income

(x 1 million euro)	2016	2015
Foreign currency translation differences for foreign operations	(30.6)	21.4
Effective portion of changes in fair value of cash flow hedges	(2.5)	(0.1)
Tax effect	2.2	0.3
Net finance income/(costs) recognized in other comprehensive income, net of tax	**(30.9)**	**21.6**
Recognized in:		
Translation reserve	(28.4)	21.7
Hedging reserve	(2.5)	(0.1)
Net finance income/(costs) recognized in other comprehensive income, net of tax	**(30.9)**	**21.6**

4.9 Income tax expense

(x 1 million euro)	2016	2015
Current tax expense		
Current income tax	(31.9)	(24.4)
Other taxes	(1.3)	(2.0)
Withholding taxes	(0.5)	(0.4)
	(33.7)	**(26.8)**
Deferred tax expenses		
Deferred income tax current year	4.5	7.2
Deferred income tax previous years	0.1	0.8
	4.6	**8.0**
Total income tax (expense)/benefit	**(29.1)**	**(18.8)**

Reconciliation of effective tax rate

(x 1 million euro)	2016		2015	
		%		%
Result before tax	110.6		60.6	
Income tax based on the Group's blended tax rate	(29.1)	26.3%	(15.2)	25.0%
Non-deductible operational expenses	(1.1)	1.0%	(0.9)	1.5%
Non-deductible interest expenses	(1.0)	0.9%	(1.1)	1.8%
Investment allowances	1.4	(1.3%)	1.0	(1.7%)
Notional interest deduction	1.6	(1.4%)	0.1	(0.2%)
Non-deductible IPO related expenses	(0.7)	0.6%	(2.5)	4.1%
Participation related results	(0.1)	0.1%	(0.2)	0.3%
Tax rate change impact	0.1	(0.1%)	(0.9)	1.5%
(De)recognition (un)recognized deferred tax assets	0.2	(0.2%)	4.7	(7.8%)
Other taxes	(2.1)	1.9%	(2.9)	4.8%
Prior period taxes	1.1	(1.0%)	0.8	(1.3%)
Movement uncertain tax provision	–	0.0%	(1.6)	2.6%
Other reconciling items	0.6	(0.5%)	(0.1)	0.2%
Total income tax (expense)/benefits	**(29.1)**	**26.3%**	**(18.8)**	**31.0%**

The effective tax rate is 26.3% (2015: 31.0%), which is in line with the blended Group tax rate of 26.3% (2015: 25.0%). The effective tax rate is mainly explained by non-deductible transaction costs in the Netherlands and the US, non-deductible interest expenses in France and Germany and non-deductible operational costs in all jurisdictions. Furthermore, the effective tax rate is impacted by the rate change in Italy and Germany, other taxes to be paid in France and Italy. Finally, notional interest deduction in Belgium and Italy, investment allowances in several jurisdictions and the recognition of previously unrecognized deferred tax assets have a positive impact on the effective tax rate.

Income tax recognized in other comprehensive income

(x 1 million euro)	2016	2015
Changes in tax on currency translation adjustment	2.2	0.3
Changes in tax on hedging reserve foreign currency and interest hedge instruments	(0.5)	0.9
Changes in tax on actuarial gains and losses in OCI	1.1	1.2
Total income tax (expense)/benefit in other comprehensive income	**2.8**	**2.4**

5 Notes to the consolidated balance sheet

5.1 Property, plant and equipment

(x 1 million euro)	Note	Land and buildings	Machinery and equipment	Other fixed assets	Under construction	Total
Cost						
January 1, 2015		307.7	504.6	46.7	34.6	893.6
Additions		5.3	30.4	2.7	40.4	78.8
Reclassifications		7.0	39.9	2.0	(52.2)	(3.3)
Acquired through business combinations		–	–	–	–	–
Disposals		–	(18.5)	(2.9)	–	(21.4)
Effect of movements in exchange rates		4.6	4.8	0.1	–	9.5
December 31, 2015		**324.6**	**561.2**	**48.6**	**22.8**	**957.2**
January 1, 2016		324.6	561.2	48.6	22.8	957.2
Additions		0.9	28.0	3.6	52.5	85.0
Reclassifications		5.5	42.5	1.1	(49.1)	–
Acquired through business combinations	6.1	35.5	68.5	7.0	6.4	117.4
Disposals		–	(16.2)	(2.5)	–	(18.7)
Effect of movements in exchange rates		(11.0)	(11.2)	0.2	0.2	(21.8)
December 31, 2016		**355.5**	**672.8**	**58.0**	**32.8**	**1,119.1**
Depreciation and impairment losses						
January 1, 2015		(56.9)	(286.1)	(27.1)	–	(370.1)
Depreciation for the year	4.6	(15.8)	(60.3)	(5.0)	–	(81.1)
Reclassification		1.0	(0.7)	1.6	–	1.9
Impairment	4.6	–	–	–	–	–
Disposals		–	18.2	2.9	–	21.1
Effect of movements in exchange rates		(0.3)	(2.2)	(0.1)	–	(2.6)
December 31, 2015		**(72.0)**	**(331.1)**	**(27.7)**	**–**	**(430.8)**
January 1, 2016		(72.0)	(331.1)	(27.7)	–	(430.8)
Depreciation for the year	4.6	(13.5)	(64.2)	(5.7)	–	(83.4)
Reclassification		(0.9)	(1.0)	1.9	–	–
Impairment	4.6	(0.5)	(0.6)	–	–	(1.1)
Disposals		–	15.9	2.5	–	18.4
Effect of movements in exchange rates		1.3	8.4	0.1	–	9.8
December 31, 2016		**(85.6)**	**(372.6)**	**(28.9)**	**–**	**(487.1)**
Carrying amounts						
January 1, 2015		250.8	218.5	19.6	34.6	523.5
December 31, 2015		252.6	230.1	20.9	22.8	526.4
December 31, 2016		269.9	300.2	29.1	32.8	632.0

Impairment losses

In 2016 the impairment is related to land and buildings and machinery and equipment of the manufacturing site in Nieszawa (Poland).

Financial leases

The Group leases a warehouse and production equipment under a number of finance lease agreements secured on the underlying leased assets (reference is made to note 5.10). At December 31, 2016, the carrying amount of leased plant and machinery was EUR 4.5 million (2015: EUR 4.1 million).

Collateral

Collateral on the land and buildings in Bridgwater in the UK is given for the mortgage loan for an amount of EUR 57.1 million (2015: EUR 68.9 million).

Reclassification

The reclassification relates to a transfer of amounts to the correct assets classes.

Property, plant and equipment under construction

Property, plant and equipment under construction relates mainly to expansion of production facilities in the Netherlands, Germany, France, Poland and the US. After construction is complete, the assets are reclassified to the applicable property, plant and equipment category. The net balance of reclassifications is related to assets under construction transferred to intangible fixed assets.

The entity-wide disclosures for property, plant and equipment

(x 1 million euro)	2016	2015
Benelux	103.6	67.2
Germany	111.8	101.0
France	78.3	82.5
Iberia	58.4	51.6
Italy	75.5	77.3
UK	89.5	105.3
Other	44.3	41.5
Total Europe	**561.4**	**526.4**
US	70.6	–
Total Group	**632.0**	**526.4**

5.2 Intangible assets

(x 1 million euro)	Note	Goodwill	Brands and sales channels	Other	Under construction	Total
Cost						
January 1, 2015		439.9	7.6	15.8	0.4	463.7
Acquisitions through business combinations	6.1	–	–	–	–	–
Additions		–	–	1.2	0.8	2.0
Reclassifications		–	–	2.4	(1.0)	1.4
Effect of movements in exchange rates		16.9	–	–	–	16.9
December 31, 2015		**456.8**	**7.6**	**19.4**	**0.2**	**484.0**
January 1, 2016		456.8	7.6	19.4	0.2	484.0
Acquisitions through business combinations	6.1	107.6	11.8	–	–	119.4
Additions		–	–	1.5	1.2	2.7
Reclassifications		–	–	1.6	(1.2)	0.4
Effect of movements in exchange rates		(18.5)	0.7	(0.1)	–	(17.9)
December 31, 2016		**545.9**	**20.1**	**22.4**	**0.2**	**588.6**
Amortization and impairment losses						
January 1, 2015		(18.0)	(4.4)	(12.9)	–	(35.3)
Amortization for the year	4.6	–	(0.7)	(1.7)	–	(2.4)
Impairment losses	4.6	–	–	–	–	–
Reclassifications		–	–	–	–	–
Effect of movements in exchange rates		(0.6)	–	–	–	(0.6)
December 31, 2015		**(18.6)**	**(5.1)**	**(14.6)**	**–**	**(38.3)**
January 1, 2016		(18.6)	(5.1)	(14.6)	–	(38.3)
Amortization for the year	4.6	–	(0.9)	(2.2)	–	(3.1)
Impairment losses	4.6	–	–	–	–	–
Reclassifications		–	–	–	–	–
Effect of movements in exchange rates		1.7	–	–	–	1.7
December 31, 2016		**(16.9)**	**(6.0)**	**(16.8)**	**–**	**(39.7)**
Carrying amounts						
January 1, 2015		421.9	3.2	2.9	0.4	428.4
December 31, 2015		438.2	2.5	4.8	0.2	445.7
December 31, 2016		529.0	14.1	5.6	0.2	548.9

The net balance of reclassifications relates to assets which were classified as assets under construction in intangible fixed assets and reclassifications with Property, plant and equipment.

Amortization and impairment charge

Amortization and impairment losses are recognized in Depreciation, amortization and impairment expense in the income statement.

Impairment testing for cash-generating units containing goodwill

For the purpose of impairment testing, goodwill is allocated to the cash generating units of the Group, being the lowest level within the Group at which goodwill is monitored for internal management purposes.

The aggregate carrying amounts of goodwill allocated to each unit are as follows:

(x 1 million euro)	2016	2015
Benelux	145.4	93.7
Germany	44.0	39.8
France	82.5	82.5
Iberia	35.7	35.7
Italy	25.0	25.0
UK	114.3	134.0
Poland	21.6	22.1
Finland	5.4	5.4
Total Europe	**473.9**	**438.2**
US	55.1	–
Total Group	**529.0**	**438.2**

The increase in goodwill in Benelux, Germany and US during 2016 relates to the business acquisitions. The decrease of the goodwill in UK relates to the foreign currency effect. The increase of the goodwill of US after acquisition relates to the foreign currency effect. Reference is made to note 6.1.

The recoverable amounts of the cash-generating units are based on value-in-use calculations. Value-in-use was determined by discounting the future pre-tax cash flows generated from the continuing use of the unit using a pre-tax discount rate and was based on the following key assumptions:

- Cash flows were projected based on the current operating results and the 3-year business plan covering the period 2017-2019, which is approved by the Executive and Supervisory Board. Future cash flows beyond this period were extrapolated using a growth rate which is based on the growth expectations of the local market. These growth expectations are retrieved from researches of independent external sources. The growth rates are in a range of 0.5% to 2.3% and are considered conservative taking into account the expected private label market development. The company takes into account production efficiency improvements, waste reduction and cost reduction programs, which will contribute positive to the future cash flows. Management believes that this forecast period was appropriate to the long term nature of the business.
- A pre-tax discount rate is based on credit risk per country, a weighted average cost of capital applicable to the industry and the applicable tax rate per cash generating unit.

Pre-tax discount rate (%)	2016	2015
Benelux	8.2	8.3
Germany	8.6	9.1
France	10.0	9.3
Iberia	11.1	11.2
Italy	10.8	11.2
UK	9.5	8.9
Poland	10.1	9.5
Finland	7.7	8.3
US	12.4	–

The values assigned to the key assumptions represent management's assessment of future trends in the industry and are based on both external and internal sources (historical data). The recoverable amounts of the units were determined to be higher than their carrying values and accordingly no impairment charges have been recognized.

Sensitivity analysis

A sensitivity analysis of a 100 basis points adverse change in key assumptions (lower growth rates or higher discount rates respectively) did not result in a different outcome of the impairment test.

The entity-wide disclosures for brands and sales channels, other and assets under construction.

(x 1 million euro)	2016	2015
Benelux	0.8	0.8
Germany	2.4	1.9
France	0.5	0.6
Iberia	0.5	0.1
Italy	2.2	2.7
UK	0.2	0.4
Other	1.0	1.0
Total Europe	**7.6**	**7.5**
US	12.3	–
Total Group	**19.9**	**7.5**

5.3 Other investments

Non-current investments

(x 1 million euro)	2016	2015
Non-current investments		
Deposits and other financial fixed assets	3.1	3.2
	3.1	**3.2**

Current investments

(x 1 million euro)	2016	2015
Current investments		
Derivatives used for foreign currency hedging	10.5	4.1
	10.5	**4.1**

The exposure to credit, currency and interest rate risks related to other investments is disclosed in note 3.

5.4 Deferred income tax assets and liabilities

The deferred tax assets and liabilities are related to the following account balances:

(x 1 million euro)	Assets		Liabilities		Net	
	2016	2015	2016	2015	2016	2015
Property, plant and equipment	0.7	0.5	(51.7)	(33.0)	(51.0)	(32.5)
Intangible assets	1.4	1.7	(5.1)	(0.5)	(3.7)	1.2
Inventories	0.6	0.4	–	–	0.6	0.4
Trade and other receivables	1.2	1.3	(1.6)	–	(0.4)	1.3
Loans and borrowings	2.6	0.5	(1.1)	(1.1)	1.5	(0.6)
Derivatives	2.2	1.2	(0.2)	–	2.0	1.2
Employee benefits provision	7.6	6.3	–	–	7.6	6.3
Other provisions	1.1	1.2	–	–	1.1	1.2
Current liabilities	4.0	2.1	–	(0.2)	4.0	1.9
Tax loss carry forward	24.3	18.9	–	–	24.3	18.9
Deferred tax assets/(liabilities)	**45.7**	**34.1**	**(59.7)**	**(34.8)**	**(14.0)**	**(0.7)**
Deferred tax asset on balance sheet					9.5	8.6
Deferred tax liability on balance sheet					(23.5)	(9.3)
Net deferred tax assets/(liabilities)					**(14.0)**	**(0.7)**

On the balance sheet deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

December 31, 2016

(x 1 million euro)	January 1, 2016	Reported in profit and loss account	Reported in equity/OCI	Acquired in business combinations	Effect of movement in exchange rates	Other movements	December 31, 2016
Property, plant and equipment	(32.5)	4.8	–	(23.2)	(0.1)	–	(51.0)
Intangible assets	1.2	(0.1)	–	(4.5)	(0.3)	–	(3.7)
Inventories	0.4	0.2	–	–	–	–	0.6
Trade and other receivables	1.3	(0.3)	(1.4)	–	–	–	(0.4)
Loans and borrowings	(0.6)	(0.3)	2.3	–	0.1	–	1.5
Derivatives	1.2	0.1	0.9	–	(0.2)	–	2.0
Employee benefits provision	6.3	0.2	1.0	0.1	–	–	7.6
Other provisions	1.2	–	–	(0.1)	–	–	1.1
Current liabilities	1.9	0.9	–	1.0	0.2	–	4.0
Tax loss carry-forwards	18.9	(0.8)	–	6.2	–	–	24.3
Deferred tax assets/(liabilities)	**(0.7)**	**4.7**	**2.8**	**(20.5)**	**(0.3)**	**–**	**(14.0)**

December 31, 2015

(x 1 million euro)	January 1, 2015	Reported in profit and loss account	Reported in equity/OCI	Acquired in business combinations	Effect of movement in exchange rates	Other movements	December 31, 2015
Property, plant and equipment	(38.3)	6.2	–	–	(0.6)	0.2	(32.5)
Intangible assets	1.0	0.2	–	–	–	–	1.2
Inventories	0.4	–	–	–	–	–	0.4
Trade and other receivables	0.9	0.4	–	–	–	–	1.3
Loans and borrowings	(1.4)	0.1	0.8	–	–	(0.1)	(0.6)
Derivatives	0.5	(0.2)	0.9	–	0.1	(0.1)	1.2
Employee benefits provision	6.4	(1.3)	1.2	–	–	–	6.3
Other provisions	1.1	0.1	–	–	0.1	(0.1)	1.2
Current liabilities	1.6	0.4	–	–	–	(0.1)	1.9
Tax loss carry-forwards	16.7	2.1	–	–	–	0.1	18.9
Deferred tax assets/(liabilities)	**(11.1)**	**8.0**	**2.9**	**–**	**(0.4)**	**(0.1)**	**(0.7)**

Tax losses carry-forwards

The Group recognizes deferred tax assets on loss carry forwards to the extend future taxable profits are expected and can be offset with these losses. These loss carry forwards amount to EUR 128.0 million (2015: EUR 122.5 million) as per December 31, 2016, of which EUR 17.4 million (2015: EUR 23.8 million) is not recognized. The deferred tax assets related to loss carry forwards expire in the following years:

(x 1 million euro)	2016	2015
After 2017 but not unlimited	5.5	5.8
Unlimited	23.8	17.9
Total	**29.3**	**23.7**
Recognized as deferred tax assets	24.3	18.9
Unrecognized	5.0	4.8

The increase in the deferred tax assets relating to tax attributes is mainly caused by the acquired US business. Furthermore, we have incurred additional losses in Poland. On the other hand, available tax attributes have been utilized in France, Spain, Germany, Italy, Finland and the UK. The unrecognized losses are attributable to the UK, where the available losses are ring-fenced for offsetting with future profits.

5.5 Inventories

(x 1 million euro)	2016	2015
Stock of raw materials and consumables	160.1	144.7
Stock of finished goods	82.8	61.9
	242.9	**206.6**

Inventory is shown net of a provision for obsolescence of EUR 12.2 million (2015: EUR 11.6 million).

5.6 Trade and other receivables

(x 1 million euro)	Note	2016	2015
Trade receivables		322.8	304.1
Other receivables, prepayments and accrued income		33.7	33.4
Other taxes and social security premiums		21.2	11.7
	3.1.1	**377.7**	**349.2**
Non-current		–	–
Current		377.7	349.2

The exposure to credit and currency risks and impairment losses related to trade and other receivables is disclosed in note 3. The trade receivables are recorded net of an allowance for doubtful debts of EUR 5.5 million (2015: EUR 5.2 million).

5.7 Cash and cash equivalents

(x 1 million euro)	2016	2015
Bank balances	139.1	95.7
Deposits	–	–
Cash and cash equivalents	**139.1**	**95.7**
Bank overdrafts (included in loans and borrowings)	(7.3)	–
Cash and cash equivalents in the consolidated cash flow statement	**131.8**	**95.7**

Total amount blocked for bank guarantees and issued letters of credits is EUR 7.2 million (2015: EUR 10.1 million). The term of the deposits is less than 3 months.

The exposure to interest rate risk and the sensitivity analysis for financial assets and liabilities are disclosed in note 3.1.3.

5.8 Assets classified as held for sale

(x 1 million euro)	2016	2015
Assets classified as held for sale	–	0.9
Liabilities classified as held for sale	–	–
Net balance	**–**	**0.9**

The assets held for sale end of 2015 consist of property, plant and equipment in Heerlen (Netherlands). The plant is sold in 2016.

The movement of assets and liabilities held for sale is as follows:

(x 1 million euro)	2016	2015
Assets classified as held for sale as at January 1	0.9	3.8
Result on sale	(0.2)	–
Release provision	(0.2)	–
Impairment	–	(1.0)
Assets sold	(0.5)	(1.9)
Assets held for sale	**–**	**0.9**

5.9 Equity

Share capital

Share capital as at December 31, 2016 consists of 81,160,915 ordinary shares of one class with a nominal value of EUR 0.12 each and the authorized capital consists of 300,000,000 ordinary shares with a nominal value of EUR 0.12 each.

(x 1 million euro)	2016	2015
Share capital as at January 1	9.7	5.9
Share capital change nominal value	–	3.0
Share capital issued	–	0.8
Share capital as at December 31	**9.7**	**9.7**

Share premium

The share premium amounts to EUR 533.0 million as per December 2016 and shows no movement during the year.
As per December 31, 2016 the share premium consists of ordinary shares only.

(x 1 million euro)	2016	2015
Share premium as at January 1	533.0	440.7
Increase share capital	–	(3.0)
Issue 6.8 million new shares	–	99.2
Incremental costs new shares	–	(3.9)
Share premium as at December 31	**533.0**	**533.0**

Other reserves

The other reserves consist of translation reserves, hedging reserves and actuarial gains and losses. The translation reserve comprises foreign currency differences arising from the translation of the financial statements of foreign operations of the Group. The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments where the hedged transaction has not yet occurred.

The movement of the other reserves is as follows:

(x 1 million euro)	Hedge reserve interest rate swaps	Hedge reserve FX instruments	Currency translation reserve	Actuarial gains and losses on pensions	Total
Balance as at January 1, 2016	(3.1)	1.6	23.7	(16.1)	6.1
Changes in cashflow hedge	(2.5)	4.5	–	–	2.0
Cumulative foreign exchange effects on goodwill	–	–	(19.3)	–	(19.3)
Translation results	–	–	(11.3)	–	(11.3)
Employee benefits mutation	–	–	–	(3.3)	(3.3)
Tax	0.6	(1.1)	2.2	1.1	2.8
Balance as at December 31, 2016	**(5.0)**	**5.0**	**(4.7)**	**(18.3)**	**(23.0)**
Balance as at January 1, 2015	(3.0)	4.3	2.0	(12.2)	(8.9)
Changes in cashflow hedge	(0.1)	(3.6)	–	–	(3.7)
Cumulative foreign exchange effects on goodwill	–	–	16.0	–	16.0
Translation results	–	–	5.4	–	5.4
Employee benefits mutation	–	–	–	(5.1)	(5.1)
Tax	–	0.9	0.3	1.2	2.4
Balance as at December 31, 2015	**(3.1)**	**1.6**	**23.7**	**(16.1)**	**6.1**

Retained earnings

(x 1 million euro)	2016	2015
Retained earnings as at January 1	(77.2)	(117.8)
Appropriation of result	42.2	38.6
Buy non-controlling interest	–	2.0
Dividend	(27.7)	
Retained earnings as at December 31	**(62.7)**	**(77.2)**

Dividends

The Company and its shareholders have agreed in the Written resolution of the General Meeting of Shareholders dated March 16, 2015 that the Company's intension is to apply a dividend pay-out policy that targets to pay out 35% to 50% of its annual adjusted net income. In 2016 EUR 0.34 per share was paid, being 35.6% of the annual adjusted net income.
At the Annual General Meeting on May 9, 2017, Refresco' s Executive Board will propose a cash dividend of EUR 0.38 per share for the financial year 2016, an increase of 11.8% versus 2015.

Legal reserves

Within the other reserves the hedge reserve interest rate swap, hedge reserve FX instruments and currency translation reserve are legal reserves. Within these legal reserves the negative amount for hedge reserve interest rate swap should be taken into account for dividend distribution.

Earnings per share (EPS)

Basic EPS amounts are calculated by dividing the profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding.
The number of outstanding ordinary shares of 81,160,915 shares has not changed during 2016. For the year ended December 31, 2015 the number of shares has been determined on 79.5 million by applying 74.3 million shares to the period until March 27, 2015 and applying 81.2 million shares to the period from March 27 until December 31.

For the year ended December 31, 2015 the accrual for cumulative dividend on A1A and A1B shares is taken into account in the calculation of the earnings per share. These shares do not exist anymore after March 27, 2015. Therefore, a pro forma EPS is calculated based on a profit without adjustment for the accrual for cumulative dividend. Hence, this pro forma profit for the year attributable to ordinary equity holders of the parent is EUR 5.7 million higher in the pro forma EPS calculation for 2015. The number of shares used in the pro forma EPS and regular EPS calculation are similar.

The following reflects the income and share data used in the basic EPS computations:

(x 1 million euro)	2016	2015
Profit for the year	81.5	41.8
Profit attributable to ordinary equity holders of the parent	**81.5**	**41.8**
Accrual for cumulative dividend A1A and A1B shares	–	(5.7)
Profit for the year attributable to ordinary equity holders of the parent	81.5	36.1
Weighted average number of ordinary shares for basic EPS	81,160,915	79,535,974
Basic and diluted profit for the year attributable to ordinary equity holders of the parent	1.00	0.45
Basic and diluted profit from continuing operations attributable to ordinary equity holders of the parent	1.00	0.45
Pro forma weighted average number of ordinary shares for basic EPS	81,160,915	79,535,974
Pro forma basic and diluted profit for the year attributable to ordinary equity holders of the parent	1.00	0.53
Pro forma basic and diluted profit from continuing operations attributable to ordinary equity holders of the parent	1.00	0.53

5.10 Loans and borrowings

The interest-bearing loans and borrowings are recognized at amortized cost. The exposure to interest rate, foreign currency and liquidity risks is disclosed in note 3.1.

Non-current

(x 1 million euro)	2016	2015
Syndicated term loan	727.8	522.0
Capitalized finance costs	(7.0)	(6.0)
Mortgage loan	22.4	29.2
Other long term loans	3.8	3.8
Finance lease liabilities	2.7	–
Total	**749.7**	**549.0**

The face value of the syndicated term loan is EUR 722.0 million (2015: EUR 522.0 million).

Current

(x 1 million euro)	Notes	2016	2015
Current portion of finance lease liabilities		0.9	0.8
Current portion of mortgage loan		2.9	3.4
		3.8	**4.2**
Bank overdrafts	5.7	7.3	–
Total		**11.1**	**4.2**

The terms and conditions of the outstanding loans and notes are as follows:

(x 1 million euro)	Currency	Nominal interest rate %	Repayment	Face value 2016	Carrying amount 2016	Face value 2015	Carrying amount 2015
Syndicated term loan	EUR	3M EURIBOR + 1.6%	2021	622.0	622.0	522.0	522.0
Syndicated term loan	USD	3M LIBOR + 1.6%	2021	100.0	105.8	–	–
Revolving credit facility	EUR	3M EURIBOR + 1.6%	2021	–	–	–	–
Capitalized finance costs	EUR		2020	(9.3)	(7.0)	(6.6)	(6.0)
Mortgage loan	GBP	3M GBP LIBOR + 0.75%	2036	38.5	25.3	38.5	32.6
Other long term loans	EUR	1,037%	2024	3.8	3.8	3.8	3.8
Finance lease liabilities	EUR/GBP	Various	Various	3.6	3.6	0.8	0.8
Total interest-bearing liabilities				**758.6**	**753.5**	**558.5**	**553.2**

As per July 1, 2016 the Group increased the syndicated external loan facility from EUR 522.0 million to EUR 722.0 million, extended the duration of the syndicated external loan and the existing revolving credit facility of EUR 150 million with thirteen months until June 30, 2021 and decreased the interest rate to 3-months Euribor plus 1.6%. The mark-up for interest payable for the syndicated term loan and revolving credit facility is depended on the Net debt ratio. See note 3.2.
There are no securities released for the syndicated external loan and revolving credit facility. As per December 31, 2016 the revolving credit facility is undrawn.

Mortgage loan

The Group has a mortgage loan from HSBC Bank Plc for construction of the production site in Bridgwater (UK). The real estate of the production site in Bridgwater (UK) is pledged as collateral. Fixed quarterly payment of GBP 0.7 million consists of interest of 3 months GBP Libor plus 0.75% plus MLA costs and remaining part is redemption. Final repayment date of the mortgage is 2036, but with current forward interest rate the mortgage will be repaid in 2026. The mortgage has been valued at fair value in the opening balance in November 11, 2014 and is valued at amortized costs afterwards.

Finance lease liabilities

Finance lease liabilities relate mainly to production lines in the Benelux and US. For the nominal value and cash outflow, reference is made to note 3.1.2.

5.11 Employee benefits provision

The Group contributes to a number of defined benefit plans that provide pension benefits to employees upon retirement in the Netherlands, Belgium, Germany, Italy and the UK and jubilee plans in the Netherlands, Germany and France. The amount of the benefits depends on age, salary and years of service. Furthermore, the Group has an indemnity plan in France.

The amounts recognized for defined benefit plans in the balance sheet are determined as follows:

December 31, 2016

(x 1 million euro)	Pension plan the Netherlands	Pension plan Germany	Pension plan UK	Pension plan Belgium	Other	Total
Present value of obligation	71.0	25.2	10.6	1.7		108.5
Fair value of plan assets	(75.6)	(5.3)	(9.0)	(1.2)		(91.1)
Deficit of funded plans	**(4.6)**	**19.9**	**1.6**	**0.5**	**–**	**17.4**
Present value of unfunded obligations	–	14.7	–	–	9.3	24.0
Present value of net obligations	**(4.6)**	**34.6**	**1.6**	**0.5**	**9.3**	**41.4**
Impact of minimum funding requirement/ asset ceiling	5.0	–	–	–	–	5.0
Present value of net obligations	**0.4**	**34.6**	**1.6**	**0.5**	**9.3**	**46.4**

December 31, 2015

(x 1 million euro)	Pension plan the Netherlands	Pension plan Germany	Pension plan UK	Pension plan Belgium	Other	Total
Present value of obligation	60.1	24.1	9.8	–	–	94.0
Fair value of plan assets	(66.9)	(5.3)	(9.0)	–	–	(81.2)
Deficit of funded plans	**(6.8)**	**18.8**	**0.8**	**–**	**–**	**12.8**
Present value of unfunded obligations	–	4.8	–	–	7.9	12.7
Present value of net obligations	**(6.8)**	**23.6**	**0.8**	**–**	**7.9**	**25.5**
Impact of minimum funding requirement/ asset ceiling	6.8	–	–	–	–	6.8
Present value of net obligations	**–**	**23.6**	**0.8**	**–**	**7.9**	**32.3**

At year-end 2016 Belgian defined contribution plans, subject to legal minimum guaranteed interest rates to be provided by the employer, were accounted for as defined benefit plans as per IAS19. This approach has been applied to these plans considering the clarification of the Belgian legislation published 18/12/2016 (WAP 'Wet op de Aanvullende pensioenen').

Plan assets can be detailed as follows:

(x 1 million euro)	2016	2015
Debt instruments	79.3	71.0
Assets held by insurance companies	8.1	5.3
Investment funds	3.5	4.5
Cash and cash equivalents	0.3	0.4
	91.2	**81.2**

The equity and debt instruments are plan assets with a quoted market price. The pension plan assets do not include the company's own shares or notes.

Movements in the present value of the defined benefit obligations and plan assets

December 31, 2016

(x 1 million euro)	Defined benefit obligation	Plan assets	Total	Impact of minimum funding requirement/ asset ceiling	Total
Defined benefit obligations as at January 1	106.7	(81.2)	25.5	6.8	32.3
Current service costs	1.1	–	1.1	–	1.1
Interest expense/(income)	3.0	(2.1)	0.9	–	0.9
Past service cost and gains and losses on settlements	–	–	–	–	–
Remeasurements of other long term benefits	0.2	–	0.2		0.2
Administrative expenses	0.1	0.1	0.2		0.2
Cost recognised in income statement	**4.4**	**(2.0)**	**2.4**	**–**	**2.4**
Return on plan assets	–	(7.9)	(7.9)	–	(7.9)
(Gain)/loss from change in demographic assumptions	(0.9)	–	(0.9)	–	(0.9)
(Gain)/loss from change in financial assumptions	14.0	–	14.0	–	14.0
Experience (gains)/losses	(0.6)	–	(0.6)	–	(0.6)
Transfer in effects	1.7	(1.2)	0.5		0.5
Change in asset ceiling, excluding amounts included in interest expense	–	–	–	(1.8)	(1.8)
Total remeasurements recognised in OCI	**14.2**	**(9.1)**	**5.1**	**(1.8)**	**3.3**
Benefits paid by the plan	(1.5)	1.5	–	–	–
Benefit payments from employer	(1.1)	1.1	–	–	–
Employer contributions	–	(1.4)	(1.4)	–	(1.4)
Effect of movements in exchange rates	(1.5)	1.4	(0.1)	–	(0.1)
Business combinations	11.4	(1.5)	9.9		9.9
Defined benefit obligations as at December 31	**132.6**	**(91.2)**	**41.4**	**5.0**	**46.4**

December 31, 2015

(x 1 million euro)	Defined benefit obligation	Plan assets	Total	Impact of minimum funding requirement/ asset ceiling	Total
Defined benefit obligations as at January 1	114.1	(79.4)	34.7	–	34.7
Current service costs	4.3	–	4.3	–	4.3
Interest expense/(income)	2.6	(1.9)	0.7	–	0.7
Past service cost and gains and losses on settlements	(8.0)	–	(8.0)	–	(8.0)
Remeasurements of other long term benefits	(0.1)	–	(0.1)	–	(0.1)
Administrative expenses	0.1	–	0.1	–	0.1
Cost recognised in income statement	**(1.1)**	**(1.9)**	**(3.0)**	**–**	**(3.0)**
Return on plan assets	–	2.7	2.7	–	2.7
(Gain)/loss from change in demographic assumptions	0.1	–	0.1	–	0.1
(Gain)/loss from change in financial assumptions	(3.8)	–	(3.8)	–	(3.8)
Experience (gains)/losses	(0.7)	–	(0.7)	–	(0.7)
Change in asset ceiling, excluding amounts included in interest expense	–	–	–	6.8	6.8
Total remeasurements recognised in OCI	**(4.4)**	**2.7**	**(1.7)**	**6.8**	**5.1**
Benefits paid by the plan	(1.4)	1.4	–	–	–
Benefit payments from employer	(1.6)	1.6	–	–	–
Employer contributions	–	(4.4)	(4.4)	–	(4.4)
Plan participants contributions	0.4	(0.4)	–	–	–
Effect of movements in exchange rates	0.7	(0.8)	(0.1)	–	(0.1)
Defined benefit obligations as at December 31	**106.7**	**(81.2)**	**25.5**	**6.8**	**32.3**

As at the last valuation date, the present value of the defined benefit obligation was comprised of approximately EUR 30.4 million related to active employees, EUR 64.3 million related to deferred members and EUR 37.9 million related to members in retirement.
The Group applied asset ceiling for the plans in the Netherlands because the Group is not entitled to any surplus payments (refunds) from the plans.

Actuarial assumptions
Principal actuarial assumptions at the reporting date (expressed as weighted averages for the main plans):

December 31, 2016

%						2016	Weighted average 2016
	Netherlands	Germany	France	Italy	UK	Belgium	
Discount rate as at December 31	1.9	1.7	1.8	1.5	2.9	1.6	1.9
Inflation	1.8	1.8	1.8	1.8	2.6	1.8	1.8
Salary growth rate	2.3–2.8	2.5	2.0–5.5	n/a	n/a	2.75	1.0
Pension growth rate	0.1	1.8	n/a	n/a	3.6	0	0.9

December 31, 2015

%	Netherlands	Germany	France	Italy	UK	2015 Belgium	Weighted average 2015
Discount rate as at December 31	2.6	2.4	2.4	2.1	3.9	n/a	2.6
Inflation	2.0	2.0	2.0	2.0	2.4	n/a	2.0
Salary growth rate	2.5 – 4.0	3.0	2.0 – 5.5	3.0	n/a	n/a	2.7
Pension growth rate	0.1	2.0	n/a	n/a	2.4	n/a	1.0

The methods and types of assumptions used in preparing the sensitivity analysis has not changed compared to the previous period.

The assumptions regarding mortality experience are based on actuarial advice and latest available published statistics and mortality tables in each territory. For the Netherlands this was AG Prognose table 2016, for Germany Heubeck 2005G, for France TF/TH 0002, for Italy RG48 and for the UK 105% S2PXA CMI2015.

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

	Change in assumption	December 31, 2016 Impact on defined benefit obligation (debit/(credit)	December 31, 2015 Impact on defined benefit obligation (debit/(credit)
	%	x 1 million euro	x 1 million euro
Discount rate	+0.25	6.5	4.7
	– 0.25	(6.5)	(5.0)
Pension growth rate	+0.25	(0.6)	(4.3)
	– 0.25	0.9	2.3
Salary growth rate	+0.25	(3.1)	(0.8)
	– 0.25	4.5	0.3
Life expectancy	Increase by 1 year	(2.6)	(3.2)
	Decrease by 1 year	6.3	3.2

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognized within the statement of financial position.

The Group expects that contributions to the defined benefit plans will be EUR 1.7 million in 2017 (2016: EUR 1.7 million).

The weighted average duration of the defined benefit obligation is 19.7 years.

Expected maturity analysis of undiscounted pension and other defined benefits:

(x 1 million euro)	Less than one year	Year 2	Year 3 up to and including year 5	Year 6 up to and including year 10	Total
Pensions & other	3.0	2.8	9.5	19.0	34.3

Through its defined benefit pension plans, the Group is exposed to a number of risks, the most significant of which are detailed below:

- Asset volatility: The plan liabilities are calculated using a discount rate set with reference to corporate bond yields; if plan assets underperform this yield, this will create a deficit. However, the assets in the Netherlands have duration in line with the liabilities. The Plan in the UK holds investments in asset classes, such as equities, which have volatile market values and while these assets are expected to provide real returns over the long term, the short term volatility can cause additional funding to be required if deficits emerge.
- Changes in bond yields: The Plan's liabilities are assessed using market yields on high quality corporate bonds to discount the liabilities. As the Plan holds assets such as equities the value of the assets and liabilities may not move in the same way. A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plans' bond holdings. The pension plan in the Netherlands is an insured plan, but additional pension premiums have to be paid when interest rates are below certain levels.
- Inflation risk: Some of the Group pension obligations are linked to inflation, and higher inflation will lead to higher liabilities (although, in most cases, caps on the level of inflationary increases are in place to protect the plan against extreme inflation or inflation increases are only possible after excessive returns on assets).
- Life expectancy: The majority of the plans' obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plans' liabilities.
- The Group operates unfunded pension and jubilee plans, where the company meets the benefit payment obligation as it falls due. Future payments depend on salary developments, changes in life expectancy and turnover rates which might result in fluctuations in cash flows.

Multi-employer plan

Part of the company's employees in the Netherlands, approximately 350 employees, participate in an industry-wide multi-employer plan, 'Stichting Bedrijfstakpensioenfonds voor de Drankindustrie' (the pension fund). The pension plan classifies as a multi-employer plan under IAS 19. This multi-employer plan covers approximately 300 companies and 4,000 contributing members.

The pension fund monitors its risks on an overall basis, not by company or employee, and is subject to regulation by Dutch governmental authorities. By law (the Dutch Pension Act), a multi-employer plan must be monitored against specific criteria, including the policy funding ratio of the plan assets to its obligations. Since January 2015, a pension fund has the obligation to report the policy funding ratio, which is the average of the funding ratio of the last 12 months. This policy funding ratio must exceed 104.2% for the total plan. Every company participating in the multi-employer plan contributes a premium calculated as a percentage of its total pensionable salaries, with each company subject to the same percentage contribution rate. The premium can fluctuate and is set by the pension fund board in accordance with (minimum) premium requirements (kostendekkende premie) as required by regulation. In the case of a shortfall (or surplus) the Company has no obligation to pay (or receive) any supplementary contributions other than possibly higher (lower) future premiums. The pension rights of each employee are based upon the employee's average salary during employment.

The policy funding ratio of the multi-employer plan decreased to 108.4% as of December 31, 2016 as reported in January 2017 (December 31, 2015: 113.9%). The policy funding ratio is calculated by dividing the plan assets by the total sum of pension liabilities and is based on actual market interest (including a so called new Ultimate Forward Rate as required by the Dutch Central Bank). The pension premium percentage is approximately 26.9% (17.1% employer, 9.8% employee) for 2016 and 2017. The multi-employer scheme is a defined benefit scheme but the Company accounts for the multi-employer plan as if it were a defined contribution plan, as the pension fund is not able to provide the Company with the required Company-specific information to allow the assets and liabilities to be separately identified. The Company's pension expense for the multi-employer plan for a fiscal period is equal to the required contribution for that period.

5.12 Other provisions

(x 1 million euro)	Restructuring	Other	Total 2016	Total 2015
January 1	2.3	5.7	8.0	18.8
Provisions made during the year	0.1	1.2	1.3	5.6
Provisions used during the year	(1.7)	(6.0)	(7.7)	(16.1)
Provisions reversed during the year	–	(0.1)	(0.1)	(0.2)
Business combinations	–	4.1	4.1	–
Effect of movements in exchange rates	–	–	–	(0.1)
December 31	**0.7**	**4.9**	**5.6**	**8.0**
Non-current	–	1.6	1.6	3.8
Current	0.7	3.3	4.0	4.2

Restructuring

The provision for restructuring relates to the Calvörde plant, the closure of the St. Andrea plant (Italy), the closure of the Nieszawa plant (Poland) and the ceased production in the Dachwig plant (Germany). There are no significant uncertainties about the amount or timing of outflow of resources.

5.13 Trade and other payables

(x 1 million euro)	Notes	2016	2015
Trade accounts payable		348.9	304.1
Other taxes and social security premiums payable		34.9	34.1
Other payables, accruals and deferred income		170.9	161.1
	3.1.2	**554.7**	**499.3**

The exposure to liquidity and foreign currency risks on trade and other payables is disclosed in note 3.1.2 and 3.1.3.

6 Supplementary notes

6.1 Acquisitions of subsidiaries and non-controlling interest

On May 11, 2016, Refresco acquired 100% of the shares of DIS International BV ('DIS'). DIS is engaged in contract filling of drinks in cans. The acquisition price for the shares of DIS amounts to EUR 71.9 million. Together with the refinanced debt of DIS of EUR 8.6 million the Group funded the acquisition by EUR 80.0 million drawn revolving credit facility and the rest of EUR 0.5 million by available cash.

On May 31, 2016, Refresco acquired the German PepsiCo plant in Hamburg of Punica Getränke GmbH ('Hamburg'). The acquisition concerns besides the plant, selected assets and liabilities, employees, a service level agreement and a manufacturing agreement with PepsiCo. This plant is engaged in producing non-alcoholic beverages in aseptic PET bottles and glass bottles. This transaction enables the Group to strengthen the footprint in Germany and increase the Co-Packing volumes. The net acquisition price amounts to EUR 14.3 million and is funded by available cash of the Group.

As per September 7, 2016 Refresco closed the acquisition of Whitlock Holding Corporation (hereafter Whitlock), taking the first step into another continent North America. Whitlock has long-standing relationships with leading A-brands in the US soft drinks market. Refresco intends to leverage its experience to further develop Whitlock's private label capabilities. It will contribute to Whitlock's expansion with a focus on innovation, procurement, operational excellence and industry best practices.
The acquisition price for the shares of Whitlock of USD 68.2 million (EUR 60.7 million) and refinanced debt amounts to USD 59.7 million (EUR 53.1 million) are funded by the syndicated bank loan. The EUR/USD exchange rate at acquisition date is 1.12. As per September 2, 2016 Refresco drawn the remaining facility of the syndicated bank loan of EUR 120.0 million of which EUR 100.0 million is drawn the equivalent of USD 111.7 million.

(x 1 million euro)	DIS International	Hamburg plant	Whitlock	Total
Acquisition price	71.9	14.3	60.7	146.9
Consideration paid in cash	**71.9**	**14.3**	**60.7**	**146.9**
Less: cash and cash equivalent balances acquired	(7.1)	(0.1)	(1.7)	(8.9)
Net movement in cash	**64.8**	**14.2**	**59.0**	**138.0**
Refinance of debt obligations	8.6	–	53.1	61.7

The following table summarizes the consideration paid for the acquisitions, the fair value of assets and liabilities acquired at the acquisition dates (provisional purchase price allocation). If estimates of fair values of assets and liabilities will change material because additional information becomes available within 12 months after the acquisitions, the Group will adjust the carrying amounts and adjust the corresponding goodwill.

(x 1 million euro)			Values as per	Total
	DIS International May 11, 2016	Hamburg plant May 31, 2016	Whitlock September 7, 2016	
Non-current assets				
Property, plant and equipment	33.4	20.2	63.8	117.4
Intangible assets	–	–	11.8	11.8
Current assets				
Inventories	5.5	–	7.8	13.3
Trade and other receivables	12.2	–	11.8	24.0
Cash and cash equivalents	7.1	0.1	1.7	8.9
Non-current liabilities				
Loans and borrowings	(3.0)	–	–	(3.0)
Employee benefits provisions	(0.4)	(9.5)	–	(9.9)
Other provisions	–	–	(0.5)	(0.5)
Deferred income tax	(4.7)	–	(15.8)	(20.5)
Current liabilities				
Loans and borrowings	(9.2)	–	(53.4)	(62.6)
Trade and other payables	(19.6)	(0.6)	(15.9)	(36.1)
Current income tax liabilities	0.6	–	(0.5)	0.1
Provisions	(1.7)	–	(1.9)	(3.6)
Fair value of identifiable net assets acquired	**20.2**	**10.2**	**8.9**	**39.3**

The values of assets, liabilities, and contingent liabilities recognized on acquisition date are their estimated fair values, if applicable, translated into the respective functional currency of the Group at exchange rates at the dates of acquisitions. The intangible assets are related to customer contracts in Whitlock valued on individual basis. The fair value of inventory has been determined based on latest sales prices and resulted in a step up of EUR 1.3 million (0.7 million for DIS and EUR 0.6 million for Whitlock) which has been released in the result in 2016 in the raw materials and consumables used. The fair value of trade and other receivables is EUR 24.0 million and includes trade receivables with a fair value of EUR 19.0 million. The gross contractual amount for trade receivables due is EUR 19.2 million, of which EUR 0.2 million is expected to be uncollectible. The long term debt of DIS relates to finance leases of leased production lines. The current loans and borrowings of DIS relate for EUR 8.6 million to a bank loan that is repaid directly after the acquisition and financed by intercompany loan. The current loans and borrowings of Whitlock is for EUR 53.1 million related to a bank loan and is repaid directly after the acquisition and financed by intercompany loan.

None of the goodwill recognized is expected to be deductible for income tax.

(x 1 million euro)	DIS International	Hamburg plant	Whitlock	Total
Consideration transferred	71.9	14.3	60.7	146.9
Less: fair value of identifiable net assets acquired	(20.2)	(10.2)	(8.9)	(39.3)
Goodwill arising on acquisition	**51.7**	**4.1**	**51.8**	**107.6**

The goodwill of DIS and Hamburg relates to a strengthened footprint, manufacturing synergies from combining operations, purchasing synergies due to economies of scale and head office synergies.
The goodwill of Whitlock relates to a new platform for opportunities of growth by entering the US and added value to our Co-Packing customers. The Group will continue to build on the footprint in the US and create a solid platform as the Group has in Europe.

The combination creates a compelling industry proposition for retail and branded customers who will benefit from greater scale, a seamless service across geographies and access to a broader portfolio of soft drinks and fruit juices in more markets. The combined business will be well positioned to meet customers' continuously changing needs and requirements. And, as one company, Refresco will have greater opportunities to invest in innovation, to achieve growth and to optimize the business.
Acquisition-related costs amounting to EUR 2.4 million have been excluded from the consideration transferred and have been recognized as an expense in the Other operating expenses.

Impact of acquisition on the results of the Group
The results of DIS are consolidated in the results of Refresco as of May 11, 2016. The revenue for the year ended December 31, 2016 includes EUR 66.4 million in respect of DIS. The profit for the year ended December 31, 2016 includes a profit of EUR 4.6 million in respect of DIS. Had the acquisition of DIS been effected at January 1, 2016, the revenue of the Group for the year ended December 31, 2016 would have been increased by EUR 32.5 million and the profit for the year would have been increased by EUR 1.7 million. Management of the Group considers these pro-forma numbers to represent an approximate measure of the performance of the combined group on a year basis and to provide a reference point for comparison in future periods.

The results of Hamburg are consolidated in the results of Refresco as of May 31, 2016. The revenue for the year ended December 31, 2016 includes EUR 10.5 million in respect of the Hamburg plant and the profit for the year ended December 31, 2016 includes no considerable value yet in respect of the Hamburg plant. Because of the acquired assets and liabilities and the service level agreement with PepsiCo starting as from acquisition date, management of the Group considers pro-forma numbers relating to the Hamburg plant as per January 1, 2016 not to be an approximate measure of the performance of the combined group.

The results of Whitlock are consolidated in the results of Refresco as of September 7, 2016. The revenue for the year ended December 31, 2016 includes EUR 38.9 million in respect of Whitlock. The profit for the year ended December 31, 2016 includes a loss of EUR 5.2 million in respect of Whitlock. Had the acquisition of Whitlock been effected at January 1, 2016, the revenue of the Group for the year ended December 31, 2016 would have been increased by EUR 106.6 million and the profit for the year would have been increased by EUR 6.8 million. Management of the Group consider these pro-forma numbers to represent an approximate measure of the performance of the combined group on a year basis and to provide a reference point for comparison in future periods.

6.2 Commitments and contingent liabilities

Operating lease and rental obligations

(x 1 million euro)	2016	2015
Less than one year	35.5	33.9
Between one and five years	92.4	67.5
More than five years	17.5	6.6
	145.4	**108.0**

The Group leases office buildings, warehouses, machinery and equipment and cars. The lease arrangements do not contain any contingent rent or any restrictions related to other financing activities of the Group. During 2016, EUR 34.7 million was recognized as expense in the income statement in respect of operating leases and rentals (2015: EUR 35.5 million).

Purchase and investment commitments

(x 1 million euro)	Total 2016	Less than one year	One to five years	More than five years	Total 2015
Property, plant and equipment	15.1	15.1	–	–	4.8
Raw materials, packaging and utilities	403.5	403.5	–	–	383.1
	418.6	**418.6**	**–**	**–**	**387.9**

Contingent liabilities
Banks have issued guarantees to suppliers and customers on behalf of the Group in the aggregate amount of EUR 4.7 million (2015: EUR 3.2 million).

The Group has several facilities for issuing letters of credit and local overdraft facilities for cash pool purposes. At December 31, 2016 there was EUR 2.5 million (2015: EUR 6.5 million) open letters of credit.

The Company forms a fiscal unity for income tax purposes with Refresco B.V., Refresco Holding B.V. and Refresco Benelux B.V. The Company also forms a fiscal unity for VAT purposes with Refresco Holding B.V. and Refresco B.V. In accordance with the standard conditions, the Company and the subsidiaries that are part of the fiscal unity are jointly and individually liable for taxation payable by the fiscal unity.

A limited number of claims have been filed against the Company and Group companies, which the Company disputes. Although the outcome of these disputes cannot be predicted with any certainty, it is expected – partly on the basis of legal advice – that these will not have any significant impact on the Company's financial position.

6.3 Related parties

Shareholder structure

Shares are offered to institutional and retail investors in the Netherlands and institutional investors in certain other jurisdictions. Refresco's shares are widely spread over a large number of shareholders in various countries. Refresco's majority shareholders continue to be Ferskur Holding 1 (Stodir), Tamoa (GZ Trust) and 3i who collectively own 28.0% of the shares as of 31 December, 2016. Refresco' s Executive Board currently holds 1.9% of the shares via Okil Holding B.V.

Identification of related parties

The subsidiaries included in note 3.2 of the Company financial statements and above mentioned shareholders are considered to be related parties. Other identified related parties are: Raven Management B.V., Okil Holding B.V., Menken Dairy Foods Nederland B.V. and members of management of the Group and subsidiaries. Menken Dairy Foods Nederland B.V. was liquidated in 2016. The transactions with these related parties relate primarily to the shareholding.

Personnel compensation and transactions with Executive and Supervisory Board Members

Executive Board personnel compensation and transactions

In accordance with the terms of the plan, members of the Executive Board retire at age 67.

Compensation of the Executive Board members comprised the following:

(x 1 thousand euro)	J.H.W. Roelofs		A.C. Duijzer		Total	
	2016	2015	2016	2015	2016	2015
Short term						
Base salary	695.0	690.0	445.0	440.0	1,140.0	1,130.0
Short term incentive	260.6	863.0	166.9	550.0	427.5	1,413.0
Retention incentive*	300.0	225.0	250.0	188.0	550.0	413.0
Social charges	9.7	40.0	9.7	40.0	19.4	80.0
Expenses	4.2	4.2	3.3	3.3	7.5	7.5
Total	**1,269.5**	**1,822.2**	**874.9**	**1,221.3**	**2,144.4**	**3,043.5**
Post employment						
Pension cost	101.1	133.0	68.7	114.0	169.8	247.0
Total	**101.1**	**133.0**	**68.7**	**114.0**	**169.8**	**247.0**
Total compensation	**1,370.6**	**1,955.2**	**943.6**	**1,335.3**	**2,314.2**	**3,290.5**

* In the 2015 financial year a retention incentive in relation to the IPO was granted of EUR 1,100 thousand which is payable in cash in 2 parts in 2016 (50%) and 2017 (50%), fully conditional to being employed at the Company. In the 2015 financial statements this amount has been presented as an expense for the year 2015, due to the relationship with the IPO in 2015. In the 2016 financial statements this expense has been allocated to the years 2015, 2016 and 2017, taking into account the total period, resulting in the following allocation: 2015: EUR 413 thousand, 2016: EUR 550 thousand and 2017: EUR 137 thousand. The comparative figures in the table above have been adjusted accordingly.

The Executive Board members of the Group held (either directly or indirectly) 1.9% of the Company's ordinary shares via Okil Holding B.V.

Supervisory Board compensation and transactions

The remuneration for Supervisory Board members was EUR 0.4 million (2015: EUR 0.7 million).

(x 1 thousand euro)	2016	2015
Y. Petrides	97.5	410.6
H.T. Kristinsson	19.3	50.6
J. Sigurdsson	52.5	50.6
S. Gorvy	52.5	50.6
A. Dijkhuizen	52.5	50.6
T. de Kool	52.5	39.4
P. de Jong	45.0	45.0
I. Plochaet	32.5	n/a
T. Jonsson	n/a	9.4
N.J. Schoenfeld	n/a	9.4
	404.3	**716.2**

The chairman Y. Petrides was in 2015 entitled to an amount of EUR 300 thousand payable by the company if the IPO was successful. Supervisory board member T. de Kool owns 10,000 ordinary shares (0.012%).

Transactions with related parties

(x 1 million euro)	Transaction value		Balance outstanding December 31	
	2016	2015	2016	2015
Increase of shareholders' equity/financing				
Executive Board	–	(2.2)	–	–
3i	(0.3)	–	(1.0)	(0.7)
Okil Holding B.V.	–	(0.4)	–	–
Total	**(0.3)**	**(2.6)**	**(1.0)**	**(0.7)**
Buy non-controlling interest				
Okil Holding B.V.	–	2.0	–	–
Total	**–**	**2.0**	**–**	**–**
Management Fees (charged)				
Ferskur Holding 1 B.V.	–	0.1	–	–
Tamoa Ltd	0.1	–	–	–
Total	**0.1**	**0.1**	**–**	**–**

Transactions underlying outstanding balances with these related parties are priced on an arm's length basis and the balances are to be settled in cash within six months of the reporting date. None of the balances is secured.

6.4 Group entities

The overview of the entities of the Group is included in note 3.2 to the Company financial statements.

6.5 Subsequent events

The previously announced preliminary agreement to purchase Sanpellegrino's bottling facility in Recoaro, Italy, was finalized on March 1, 2017. Due to the relatively small size of the transaction, no financial details are disclosed.

Company income statement

For the year ended December 31, 2016

(x 1 million euro)	Note	December 31, 2016	December 31, 2015
Other operating expenses		(0.7)	(8.4)
Operating profit		**(0.7)**	**(8.4)**
Finance income		10.9	30.6
Finance expense		(11.6)	(28.0)
Net finance costs		**(0.7)**	**2.6**
Profit/(loss) before income tax		**(1.4)**	**(5.8)**
Income tax (expense)/benefit		0.4	0.3
Share in results from participation interest after taxation	3.1	82.5	47.7
Profit/(loss) for the year		**81.5**	**42.2**

Company balance sheet

As at December 31, 2016

(Before appropriation of result)

(x 1 million euro)	Note	December 31, 2016	December 31, 2015
Assets			
Financial fixed assets	3.1	528.7	506.4
Loans to group companies	3.2	727.8	522.0
Total non-current assets		**1,256.5**	**1,028.4**
Receivables from group companies		0.8	26.4
Current income tax receivable		0.4	0.3
Trade and other receivables		–	0.1
Cash and cash equivalents		13.3	–
Total current assets		**14.5**	**26.8**
Total assets		**1,271.0**	**1,055.2**
Equity			
Issued share capital		9.7	9.7
Share premium		533.0	533.0
Legal reserves		(4.7)	22.2
Other reserves		(18.3)	(16.1)
Retained earnings		(62.7)	(77.2)
Result for the year		81.5	42.2
Total equity attributable to equity holders of the company	3.3	**538.5**	**513.8**
Liabilities			
Loans and borrowings	3.4	727.8	522.0
Deferred income tax		0.4	–
Total non-current liabilities		**728.2**	**522.0**
Bank overdrafts		–	16.3
Trade and other payables		4.3	3.1
Total current liabilities		**4.3**	**19.4**
Total equity and liabilities		**1,271.0**	**1,055.2**

Notes to the company financial statements

1 GENERAL

The financial statements of Refresco Group N.V. or 'the Company' are included in the consolidated financial statements of the Group.

2 SIGNIFICANT ACCOUNTING POLICIES

The principles for the recognition and measurement of assets and liabilities and for determination of the result for its Company financial statements, the Company makes use of the option provided in section 2:362 (8) of the Dutch Civil Code Title 9, Book 2, under which the principles for the recognition and measurement of assets and liabilities and for determination of the result of the Company financial statements are the same as those applied for the consolidated financial statements (hereinafter referred to as principles for recognition and measurement). In these separate financial statements investments in subsidiaries are accounted for using the equity method. The consolidated financial statements are prepared according to the standards laid down by the International Accounting Standards Board and adopted by the European Union. These principles are set out in the consolidated financial statements.

Participating interests over which control is exercised are carried on the basis of net asset value. The share in the result of participating interests represents the Company's share in the result of these participating interests. To the extent that they are deemed to be unrealized, results are not recognized on transactions between the Company and its participating interests and mutually between participating interests themselves.

3 NOTES TO THE COMPANY BALANCE SHEET AND INCOME STATEMENT

3.1 Financial fixed assets

Financial fixed assets consist of participating interests in Group companies. The movements in the participating interests in Group companies were as follows:

(x 1 million euro)	2016	2015
January 1	506.4	217.3
Share in result of participating interests	82.5	47.7
Dividend	(31.5)	–
Capital increase	–	225.0
Effect of movement in exchange rates	(28.0)	21.0
Changes in cashflow hedge reserve	1.5	(2.8)
Buy non-controlling interest	–	2.0
Other comprehensive income pensions	(2.2)	(3.8)
December 31	**528.7**	**506.4**

Refresco Group N.V. owns the following subsidiaries as at December 31:

Company	Statutory seat	Note	Ownership interest 2016	2015
Consolidated companies				
Refresco Holding B.V.	Rotterdam (The Netherlands)	1	100%	100%
Refresco UK B.V.	Rotterdam (The Netherlands)	1	100%	100%
Refresco B.V.	Dordrecht (The Netherlands)	1	100%	100%
Soft Drink International B.V.	Heerlen (The Netherlands)		Merged	100%
Refresco Benelux B.V.	Maarheeze (The Netherlands)	1	100%	100%
Refresco N.V.	Ninove (Belgium)		100%	100%
DIS International B.V.	Sittard (The Netherlands)	2	100%	0%
Dismac B.V.	Sittard (The Netherlands)	2	100%	0%
DIS Contractfilling B.V.	Sittard (The Netherlands)	2	100%	0%
DIS B.V.	Sittard (The Netherlands)	2	100%	0%
DIS Beverages B.V.	Sittard (The Netherlands)	2	100%	0%
Refresco Iberia S.A.	Oliva (Spain)		100%	100%
Refresco Deutschland Services & IT GmbH & Co KG	Mönchengladbach (Germany)		100%	100%
Refresco Deutschland Holding GmbH	Herrath (Germany)		100%	100%
Refresco Deutschland GmbH	Herrath (Germany)		100%	100%
Logico GmbH & Co KG	Erftstadt (Germany)		100%	100%
EMIG GmbH	Rellingen (Germany)		100%	100%
Verwaltungsgesellschaft EMIG mbH	Rellingen (Germany)		100%	100%
Refresco Hamburg GmbH	Hamburg (Germany)		100%	0%
Refresco Finland Holding O.Y.	Kuopio (Finland)		100%	100%
Refresco Finland O.Y.	Kuopio (Finland)		100%	100%
Refresco France S.A.S.	Marges (France)		100%	100%
Ferskur France S.A.S.	Marges (France)		100%	100%
Refresco Le Quesnoy SAS	Valenciennes (France)		100%	100%
Refresco Holdings GB Ltd.	Bridgwater (UK)		100%	100%
Histogram Holdings Ltd.	Bridgwater (UK)		100%	100%
Refresco Ltd.	Bridgwater (UK)		100%	100%
Pride Foods Ltd.	Bridgwater (UK)		100%	100%
Quantock Properties Ltd.	Bridgwater (UK)		100%	100%
Refresco Beverages UK Ltd.	Bridgwater (UK)		100%	100%
Gerber Emig Group Ltd.	Bridgwater (UK)		100%	100%
British Brands Ltd. (dormant)	Bridgwater (UK)		100%	100%
Sunpride Ltd. (dormant)	Bridgwater (UK)		100%	100%
Gerber Foods International Ltd. (dormant)	Bridgwater (UK)		100%	100%
Gerber Frozen Foods Ltd. (dormant)	Bridgwater (UK)		100%	100%
Gerber Goldschmidt Foods Ltd. (dormant)	Bridgwater (UK)		100%	100%
GerberFoods Softdrinks Ltd. (dormant)	Bridgwater (UK)		100%	100%
Refresco Poland Sp. z o.o.	Warsaw (Poland)		100%	100%
Refresco Sp. z o.o.	Kenty (Poland)		100%	100%
Refresco Italy S.p.A.	Cadorago (Italy)		100%	100%
Spumador S.p.A.	Cadorago (Italy)		100%	100%
R2R S.p.A.	Cadorago (Italy)		100%	0%
Medibev S.p.A.	Milan (Italy)		Merged	100%
Refresco US Holding Inc.	Wilmington, Delaware (US)		100%	0%
Whitlock Holding Corporation	Tulsa, Oklahoma (US)		100%	0%
Refresco US Inc. (prev. Whitlock Packaging Corporation)	Tulsa, Oklahoma (US)		100%	0%
Refresco Florida Inc. (prev. Juice Bowl, prev. Whitlock Florida)	Plantation, Florida (US)		100%	0%
Non-consolidated companies				
Entsorgungs GmbH	Calvörde (Germany)	3	40%	40%
Genprobio SrL	Cadorago (Italy)	3	20%	20%

[1] Refresco Group N.V. has issued a 403 liability statement for these companies.
[2] Refresco Group N.V. has issued a 403 liability statement for these companies, as of acquisition date.
[3] The non-consolidated companies are not material for the financial statements of Refresco Group N.V.

3.2 Loans to Group companies

(x 1 million euro)	2016	2015
January 1	522.0	776.6
Loans granted	205.8	522.0
Repaid	–	(776.6)
December 31	**727.8**	**522.0**

Loans granted to Group companies have been continued and extended in line with the syndicated external loan facility until the year 2021. Interest charged is based on interest costs of the syndicated external loan with markup for credit risk and handling fee.

3.3 Equity

For details on equity, a reference is made to note 5.9 of the consolidated financial statements.

3.4 Loans and borrowings

(x 1 million euro)	2016	2015
Non-current liabilities		
Syndicated term loan	727.8	522.0
	727.8	**522.0**

(x 1 million euro)	Currency	Nominal interest rate %	Repayment	Face value 2016	Carrying amount 2016	Face value 2015	Carrying amount 2015
Syndicated term loan	EUR	3M EURIBOR + 1.6%	2021	622.0	622.0	522.0	522.0
Syndicated term loan	USD	3M LIBOR + 1.6%	2021	100.0	105.8		
Revolving credit facility	EUR	3M EURIBOR + 1.6%	2021	–	–	–	–
Total interest-bearing liabilities				**722.0**	**727.8**	**522.0**	**522.0**

For details on the syndicated external loan a reference is made to note 5.10 of the consolidated financial statements. Costs directly attributable to the issuance are capitalized in the related subsidiaries of the Company. Remaining costs of the issuance are included in advice and legal costs of the related subsidiaries.

3.5 Remuneration

For the remuneration to the Executive Board a reference is made to note 6.2 of the consolidated financial statements. The company does not employ personnel.

3.6 Independent auditor's fees

With reference to Section 2:382a(1) and (2) of the Dutch Civil Code, the following fees for the financial year have been charged by Ernst & Young Accountants LLP (E&Y LLP) and their network inside and outside the Netherlands to the Company, its subsidiaries and other consolidated entities:

(x 1 million euro)			2016			2015
	E&Y LLP	Network	Total	E&Y LLP	Network	Total
Statutory audit of financial statements	0.3	0.6	0.9	0.2	0.6	0.8
Other audit services	0.1	–	0.1	0.3	–	0.3
	0.4	**0.6**	**1.0**	**0.5**	**0.6**	**1.1**

3.7 Proposal for appropriation of profit

At the Annual General Meeting of Shareholders on May 9, 2017, the Executive Board will, with the approval of the Supervisory Board, absent unforeseen circumstances, propose a final dividend for 2016 of EUR 0.38 per common share. The final dividend will be paid in cash. The Executive Board proposes, with the approval of the Supervisory Board, to add the remaining part of the profit to the other reserves as retained earnings. This proposal has not yet been reflected in the financial statements.

If the proposed dividend is approved by shareholders, Refresco shares will be quoted ex-dividend on May 11, 2017, for the shares listed on Euronext. The record date for the dividend on the shares listed on Euronext will be May 12, 2017.

Rotterdam, March 8, 2017

Executive Board
Hans Roelofs – Chief Executive Officer
Aart Duijzer – Chief Financial Officer

Supervisory Board
Yiannis Petrides (Chairman)
Aalt Dijkhuizen
Sean Gorvy
Pieter de Jong
Theo De Kool
Inge Plochaet
Jon Sigurdsson