



# 2010

Fyffes plc Annual Report





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**“ Fyffes - a  
leading  
international  
tropical produce  
company ”**



## About Fyffes

Fyffes plc is a leading international importer and distributor of tropical produce. Headquartered in Dublin, Ireland, Fyffes has operations in Europe, the US and Central and South America. Fyffes plc is listed on the Enterprise Securities Market (ESM) in Dublin and the Alternative Investment Market (AIM) in London. A commitment to the principles of corporate responsibility is at the heart of the Fyffes brand.



# 2010

Fyffes plc Annual Report

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## Group Operations

Fyffes plc is primarily involved in the production, procurement, shipping, ripening, distribution and marketing of bananas, pineapples and melons.

Fyffes distributes c.35 million cases of bananas in Europe annually. In addition, the Group's Turbana joint venture markets c.11 million cases of bananas in North America. Fyffes distributes c.8 million cases of pineapples each year. In the winter melon category, Fyffes markets c.10 million cases in North America.



### Production & Procurement

Fyffes bananas are procured from Central and South America under long term supply contracts with our growers. Our long term relationships with growers and the advice and structures that Fyffes provides, ensures that our fruit is always Fyffe Times Better.



### Shipping

Fyffes operates a fleet of state of the art ships carrying the finest tropical produce under controlled conditions to ensure that all Fyffes fruit arrives at its destination in premium condition, consistently every week of the year.

### Ripening

Fyffes plc owns and leases seven state of the art banana ripening centres in the UK, Germany and Ireland and a large melon distribution centre in Florida. Bananas are carefully unloaded into ripening rooms where the fruit can be ripened under controlled conditions to meet the highest customer specifications.



### Distribution

Our fleet of temperature controlled vehicles carefully transport Fyffes premium produce to the world's leading retailers as well as a vast network of wholesale, convenience and foodservice customers.



### Marketing

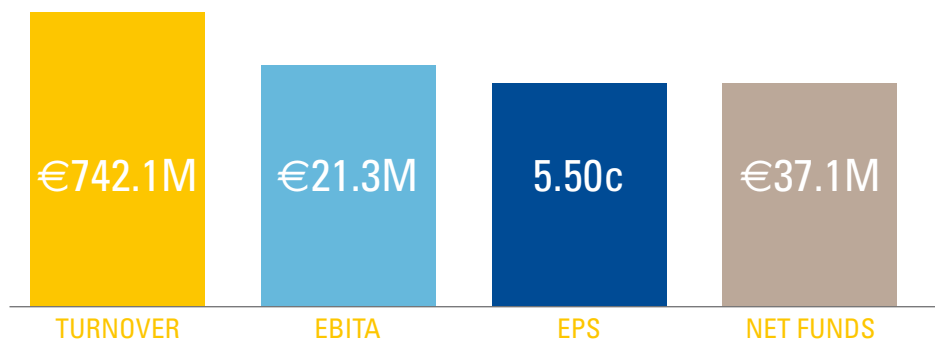
The famous Fyffes Blue Label made its first appearance in 1929 making Fyffes the world's oldest fruit brand. The Group's endurance over 120 years is due to the quality of the fruit to which the Fyffes label is attached and the service levels behind it. Only the freshest produce selected from the most reliable producers is allowed carry the famous Fyffes Blue Label.

# 2010 Company Highlights

## Key Brands



## Financial Highlights



Fyffes reported an increase in its adjusted EBITA for 2010 to €21.3m. Earnings per share for the year increased by 6%. This result represents a very satisfactory outcome for 2010.

Fyffes is proposing a **9.1%** increase in its final dividend for 2010, to 1.2 cents per share.

## Fyffes Supporting UNICEF

Net Result? Thousands of Lives Saved. Through mosquito net distribution and the support of health facilities and community projects, Fyffes is helping UNICEF Ireland save the lives of thousands of children in Mozambique from malaria. So far the Fyffes supporting UNICEF partnership has achieved the following:

- 8,600 children's lives have been saved.
- 169,000 cases of malaria have been prevented.
- 55,000 malaria nets have been distributed.



Something to smile about  
**8,600** children's lives saved

Fyffes has helped UNICEF prevent over 169,000 cases of malaria in Mozambique

Only choose bananas with the Fyffes supporting UNICEF sticker



## Strong Market Positions

### EUROPE

- **No. 2** in the Banana Category
- **No. 3** in the Pineapple Category

### USA

- **No. 1** in the Melon Category
- **No. 3** in the Pineapple Category
- **No. 4** in the Banana Category



### Carbon Trust

This year Fyffes has become the first UK banana importer and distributor to have been awarded the Carbon Trust Standard, after taking action on climate change by measuring, managing and reducing its carbon emissions by nearly 8% over the past three years.

### 40 Years of Turbana

Turbana Corporation celebrated 40 years of existence in 2010. Since its inception, Turbana has been one of the premier importers of premium bananas, exotic bananas and plantains in North America.



### Centenary Celebration for Fyffes JV Partner Inter Weichert

Inter has been a leading provider of fresh produce to the German market for 100 years, having celebrated its centenary in 2010.



### Fyffes Museum

The Fyffes Museum opened in our Swords facility in Dublin during 2010. Over 1,000 artifacts have been catalogued dating back to 1887. The collection spans 123 years of Fyffes history and some of the notable items in the museum includes a solid gold Fyffes branded cigar box dating back to 1925, shipping ledgers dating back to the very early 1900's and many more fascinating



## Five Year Summary

	2010 €'000	2009 €'000	2008 €'000	2007 €'000	2006 €'000
<b>Continuing Operations</b>					
Total revenue (incl share of joint ventures)	<b>742,122</b>	726,772	758,227	708,915	555,315
Group revenue	<b>623,072</b>	598,103	606,729	553,365	407,717
Adjusted profit before taxation*	<b>21,295</b>	21,249	15,938	18,373	21,854
Profit/(loss) before taxation	<b>8,796</b>	(11,211)	128	13,236	19,062
Profit/(loss) after taxation	<b>7,265</b>	(9,918)	380	10,127	22,920
Adjusted earnings per share (cent)**	<b>5.50</b>	5.19	3.95	4.42	5.70
Dividend per share (cent)	<b>1.75</b>	1.65	1.50	1.50	3.39
Shareholders' equity	<b>148,101</b>	151,687	202,389	224,472	227,022
<b>Combined Operations***</b>					
Total revenue (incl share of joint ventures)	<b>N/A</b>	N/A	N/A	N/A	2,416,207
Group revenue	<b>N/A</b>	N/A	N/A	N/A	1,984,773
Adjusted profit before taxation*	<b>N/A</b>	N/A	N/A	N/A	58,356
Profit before taxation	<b>N/A</b>	N/A	N/A	N/A	37,978
Profit after taxation	<b>N/A</b>	N/A	N/A	N/A	36,480
Adjusted earnings per share (cent)**	<b>N/A</b>	N/A	N/A	N/A	11.40

### Notes

- \* Before Group share of Balmoral's result, exceptional items, share of tax charge of joint ventures and intangibles amortisation.
- \*\* Before Group share of Balmoral's result, exceptional items and intangibles amortisation.
- \*\*\* The demerger of the Group's General Produce and Distribution business to Total Produce plc completed on 30 December 2006. The results of this discontinued business, and the combined activities of the Group, are presented here with the results of the Group's continuing activities as if the demerger had not taken place, for information purposes.

All figures are presented in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

# Shareholder Information

## Share price (Euro cent)

	High	Low	Year End
2010	47	30	37
2009	49	17	46

### Market capitalisation

The market capitalisation of Fyffes plc at 31 December 2010 was €122 million. The ordinary share price at close of business on 2 March 2011 was €0.425, giving a market capitalisation at that date of €140 million.

### Website

www.fyffes.com contains a wide range of detailed information on the Group's activities and products, together with all the key financial data on the Company. It is updated on a continuing basis for all Company announcements and other relevant developments, including share price movements.

### Investor relations

Investors requiring further information on the Group are invited to contact:

Seamus Keenan  
 Company Secretary  
 Fyffes plc  
 29 North Anne Street  
 Dublin 7  
 Ireland  
 Telephone: +353 1 887 2700  
 Fax: +353 1 887 2755  
 e-mail: skeenan@fyffes.com

### Registrar

Administrative queries about holdings of Fyffes plc shares can be directed to the Company's registrar:

Computershare Services (Ireland) Limited  
 Heron House  
 Corrig Road  
 Sandyford Industrial Estate  
 Dublin 18  
 Ireland  
 Telephone: +353 1 216 3100  
 Fax: +353 1 216 3151  
 e-mail: web.queries@computershare.ie

### Annual General Meeting

The Annual General Meeting of the Company will take place at the D4 Berkeley Hotel, Dublin 4, Ireland on Thursday, 12 May 2011 at 11.00am. Notice of the meeting is set out at the end of this Annual Report on pages 109 to 113.

### Amalgamation of accounts

Shareholders receiving multiple copies of Company mailings as a result of a number of accounts being maintained in their name should write to the Company's registrar at the above address to request that their accounts be amalgamated.

### Payment of dividends

Shareholders may elect to have future dividends paid directly into a nominated bank account by completing the mandate form which accompanies each dividend payment or by writing to the Company's registrar at the above address. Dividends are ordinarily paid in Euro; however, for the convenience of shareholders with addresses in the United Kingdom, such dividends are paid in Sterling unless requested otherwise.

### Electronic communications

Shareholders who wish to opt to receive their shareholder communications electronically can do so by going to [www.computershare.com/register.ie](http://www.computershare.com/register.ie) and following the three steps outlined to sign up for Electronic Shareholder Communications. Fyffes will donate €5 to Concern, the Irish based international aid charity, on behalf of every shareholder who takes this option.

# Chairman's Statement

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Having delivered a strong increase in profits in 2009, the best since the ending of European banana import regulations in 2005, Fyffes was pleased to achieve a further increase in profits in 2010. Earnings before interest, tax and amortisation charges (EBITA) in the Group's tropical produce operations amounted to €21.3 million in 2010, up 2.8% on the previous year. Earnings per share were 6% higher year on year.

In the context of the difficult trading conditions which persisted in the banana category for much of the first half of the year, this result represents a very satisfactory outcome for 2010. Market conditions in Europe improved in the second half of the year as demand and supply were more in balance. Fyffes' US melon business, which was acquired in 2008, made good progress in 2010, successfully expanding its production operations in Central America and extending its marketing activities to a year round basis, resulting in a strong increase in revenues and profits.

As a result of the continuing difficulties in the international property sector, Balmoral International Land plc (formerly Blackrock) which is 40% owned by Fyffes, experienced a further significant reduction in the value of its portfolio. Fyffes' share of Balmoral's net assets now amounts to €12 million, down from €24.1 million at the end of 2009. The market value of this investment amounts to c.€6 million based on Balmoral's current share price.

Fyffes remains focused on shareholder value. During 2010, the Group returned €11 million to shareholders comprising dividends of €5.7 million and the €5.3 million spent on repurchasing Fyffes shares in the market. The Board is proposing to pay a final dividend for 2010, subject to shareholder approval, of 1.2 cent per share, an increase of 9.1%. The total dividend for 2010 would then amount to 1.75 cent per share, 6.1% up on last year. This represents a 32% payout ratio. Within the existing shareholder authority, the Board may from time to time purchase further Fyffes shares in the market on an opportunistic basis.

Dr Paul Clüver has indicated an intention not to seek re-election as a non-executive director of Fyffes at its next AGM on 12 May 2011 on the basis of the length of time he has served on the Board. I would like to thank Paul for his valued advice while a director of Fyffes. His wisdom and his knowledge of the fresh produce industry have always been of great assistance to the Board. We wish him well for the future.

In January 2011, the Group agreed to acquire a one third stake in Van Wylick in Germany. This is an important development for Fyffes in the German market with significant opportunity for growth. The Board is focused on continuing to grow and develop the business and is exploring other interesting opportunities to invest the Group's resources.

Fyffes indicated in early 2011 that its target EBITA for year was in the range €17-22 million. Market conditions have been satisfactory in the first two months of the year. Fyffes operates in a low margin sector which requires the Group to maintain a high level of efficiency in its day to day activities. I believe Fyffes excels in this regard and we will continue to pursue every opportunity to improve our operations to ensure they are 'best in class'. Our products continue to represent excellent value for the consumer.

This level of efficiency and the high standard of service Fyffes provides to its customers on a daily basis is achieved through the skill and dedication of its workforce. I would like to thank them for their hard work and commitment, which is essential to the success of the Group.

## David McCann

Chairman

2 March 2011

# Directors and Secretary

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## **D V McCann (52)**

### **Chairman, BCL**

David McCann joined the Group in 1986, having previously practised as a partner in a leading Dublin law firm. He became Managing Director in 1989 with responsibility for the Group's operations. He was appointed Chief Executive in 1995 and became Chairman in 2006. He is a member of the nomination committee.

## **C Bos (55)**

### **Chief Operating Officer**

Coen Bos was a merchant navy ship's master and active at sea until 1983. He subsequently joined Velleman & Tas BV in Holland and was its Banana Marketing Director when it was acquired by Fyffes in 1994. He was appointed Managing Director of the Group's Tropical Produce division in 2000. He was appointed to the Board on 1 January 2006 and to the position of Chief Operating Officer on 30 December 2006.

## **T G Murphy (50)**

### **Finance Director, B Comm, FCA**

Tom Murphy joined the Group in 1990. He has held a number of senior accounting positions in Fyffes and was appointed to the position of deputy Managing Director and Finance Director of the Group's Tropical Produce division in 2000. He was appointed to the Board as Finance Director on 2 January 2007.

## **J D McCourt (64)**

### **Non Executive, MA, MBA**

Declan McCourt was appointed to the Board in 2003 and is a member of the audit, compensation and nomination committees. He is Chief Executive of automobile distributor, the OHM Group. He is a director of Balmoral International Land plc, Chairman of the Mater Hospital Foundation and UCD Law Development Council and a director of a number of other companies.

## **Dr P F deV Clüver (69)**

### **Non Executive, MBChB, ChM, MD, PhD(Agric)**

Dr Paul Clüver was appointed to the Board in 1999 and is a member of the audit committee. He is Chairman of Capespan Group Limited in South Africa. He is a trustee of the Worldwide Fund for Nature SA and Chairman of the Council of the University of Stellenbosch.

## **J M O'Dwyer (64)**

### **Non Executive, LLB**

James O'Dwyer was appointed to the Board in 2007 and is a member of the compensation committee. He is a former Chairman of Arthur Cox, the leading Dublin based law firm. He is also admitted to practice at the New York State Bar. He is a director of Goldman Sachs Bank (Europe) plc, Stafford Holdings Limited and Chairman of Rohan Group.

## **J P Tolan (47)**

### **Non Executive, B Comm, FCA**

Jimmy Tolan joined Fyffes in 1990 from KPMG. He managed the Group's acquisitions team from 1993. He was appointed to the Board as Corporate Development Director in 1999 and became Chief Executive in 2006. He resigned as Chief Executive in 2008 to take up the position of Chief Executive of Vhi Healthcare but remains a non executive director of Fyffes plc.

## **S P Keenan (45)**

### **Company Secretary, B Comm, FCA**

Seamus Keenan joined Fyffes in 1995 from KPMG. He has held a number of senior financial positions in the Group including Group Financial Controller and Investor Relations Manager. He was appointed Company Secretary in 2006.

# Operating and Financial Review

## Summary Income Statement

	<b>2010</b>	2009
	<b>€'M</b>	€'M
<b>Total revenue</b>	<b>742.1</b>	726.8
Group revenue	<b>623.1</b>	598.1
<b>Adjusted EBITA* - Tropical Produce activities</b>		
- parent and subsidiaries	<b>19.3</b>	16.5
- share of joint ventures	<b>2.0</b>	4.2
Total adjusted EBITA	<b>21.3</b>	20.7
Net interest income including share of joint ventures	-	0.5
<b>Adjusted profit before tax**</b>	<b>21.3</b>	21.2
Share of Balmoral's result	<b>(8.3)</b>	(27.9)
Exceptional items	-	(1.5)
Amortisation charge	<b>(4.4)</b>	(3.4)
Tax credit in joint ventures	<b>0.1</b>	0.3
<b>Profit/(loss) before tax per income statement</b>	<b>8.8</b>	(11.2)
Tax (charge)/credit (excl share of joint ventures)	<b>(1.5)</b>	1.3
Non-controlling interest credit/(charge)	<b>0.4</b>	(0.5)
<b>Profit/(loss) attributable to equity shareholders</b>	<b>7.7</b>	(10.5)
<b>Adjusted fully diluted EPS – cent***</b>	<b>5.50</b>	5.19

\* *Adjusted EBITA is operating profit excluding the Group's 40% share of the result of Balmoral International Land plc ('Balmoral') and before exceptional items, intangibles amortisation, interest and tax, including the equivalent share of joint ventures operating profits.*

\*\* *Adjusted profit before tax excludes the Group's share of Balmoral's result, exceptional items, amortisation and Group share of tax of joint ventures.*

\*\*\* *Adjusted EPS excludes the Group's share of Balmoral's result, exceptional items and amortisation.*

# Operating and Financial Review *(continued)*

## Revenue

Total Revenue, including the Group's share of its joint ventures, was 2.1% higher in 2010 at €742.1 million. Group Revenue amounted to €623.1 million in the year, up 4.2% on 2009, due mainly to an increase in activity and volumes in the Group's US melon business. Revenue in the banana category increased modestly, mainly due to the benefit of a more favourable average exchange rate on translation of sales in the UK market. Banana volumes were broadly unchanged year on year.

## Operating profit

Fyffes reports separately the results of its tropical produce operations and its 40% share of the results of Balmoral, which it demerged in May 2006. The Group's key performance measure for its tropical produce business is Adjusted EBITA (which is defined above). Fyffes' tropical produce business produces, sources and distributes three product categories – bananas, pineapples and melons.

Adjusted EBITA for Fyffes' tropical produce operations in 2010 amounted to €21.3 million, up 2.8% on the previous year. The key drivers of performance in the Group's tropical produce business are average selling prices, exchange rates and the costs of fruit, shipping and fuel, all of which can result in volatility in year on year profitability.

As indicated during the year, the Group's performance in the banana category in 2010 was adversely affected by the difficult market conditions which persisted for much of the first half. A combination of the prolonged period of exceptionally cold weather throughout Europe during the first three months of the year and excess market supplies during much of the first half resulted in a significant reduction in operating profits in the category. Banana profits were also significantly impacted by adverse exchange rates as a result of the relative strength of the US Dollar against the Euro and Sterling during 2010. In addition, the Group's key input costs including fruit, shipping and fuel were all again higher in 2010, offset by the reduction in import duty. Market conditions improved during the second half of the year as import volumes reduced. The Group achieved necessary increases in selling prices in its key markets in the second half of the year, although this was insufficient to offset the shortfall in profits in the first half.

As expected, the Group produced a small profit in the pineapple category, slightly ahead of the previous year. The result was impacted by the anticipated significant development costs incurred in the farming operation in

Panama, which was acquired in May 2009. This work is now largely complete. The result in the pineapple category was also adversely impacted by the unfavourable exchange rates noted above. Trading conditions were broadly satisfactory in Europe during 2010 and Fyffes achieved an increase in profits on its marketing activities there.

Fyffes' US melon business made significant progress in 2010. Expanded production activities in Central America enabled it to extend its import season. In addition, it commenced supplying its customers on a year round basis through sourcing domestically produced fruit in the US. This resulted in a 25% increase in revenues year on year. The business remained very focused on its cost base and as a result achieved a strong increase in profits in the year.

Fyffes' 40% share of the after tax losses of Balmoral International Land plc amounted to €8.3 million in 2010, reflecting the impact of the most recent independent external valuation of its property portfolio. The Group's share of the reduction in Balmoral's net assets amounted to €12.1 million, €3.8 million of which has been written-off against revaluation reserves in Fyffes' balance sheet.

The total operating profit for the Group, which is the Adjusted EBITA of €21.3 million less the Group's share of Balmoral's result, exceptional items, amortisation charges and the Group's share of joint ventures interest and tax, amounted to €8.7 million for the year, compared to a loss of €11.8 million in 2009.

## Operating and Financial Review *(continued)*

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### **Financial income**

Net interest income in the Group's subsidiary companies in 2010 amounted to €0.1 million, compared to €0.6 million in the previous year. Excluding non-cash interest costs on discounting deferred acquisition consideration and other provisions, interest earned on the Group's net cash balances amounted to €0.5 million, a return of 1.6%, reflecting lower average interest rates. The Group's share of the net interest expense of its joint ventures was €0.1 million in 2010, similar to the previous year.

### **Exceptional items**

There were no exceptional items in 2010. In 2009, exceptional items amounted to a net charge of €1.5 million. This included an exceptional gain as a result of the recycling through the income statement of cumulative currency gains of €7.5 million on disposal, liquidation and termination of non-trading businesses; the Group's share of an onerous shipping contract provision in its Geest joint venture amounting to €4.4 million; a gain of €0.5 million on disposal by Geest of one of its properties; an additional €3.8 million charge in relation to the Group's liability to the Merchant Navy Officers Pension Fund in the UK; and costs of €1.6 million as a result of the cessation of activities in its former Brazilian melon joint venture. The net tax impact of these exceptional items in 2009 was a credit of €3.2 million.

### **Profit before tax**

Adjusted profit before tax for 2010 amounted to €21.3 million, €0.1 million up on the previous year reflecting the increase in adjusted EBITA and the reduction in net interest income. Adjusted profit before tax, as defined above, excludes the Group's share of Balmoral's result, exceptional items, amortisation of intangible assets and the Group's share of the tax charge of its joint ventures, which is reflected in profit before tax under IFRS rules. Profit before tax, excluding these adjustments, amounted to €8.8 million compared to a loss of €11.2 million in 2009.

# Operating and Financial Review *(continued)*

## Taxation

	<b>2010</b>	2009
	<b>€M</b>	€M
Tax charge/(credit) per income statement	<b>1.5</b>	(1.3)
Group share of tax (credit) of joint ventures netted in profit before tax	<b>(0.1)</b>	(0.3)
Total tax charge/(credit)	<b>1.4</b>	(1.6)
<i>Adjustments</i>		
Deferred tax on amortisation of intangibles (including share of joint ventures)	<b>1.4</b>	1.1
Tax impact of exceptional items	-	3.2
<b>Tax charge on underlying activities</b>	<b>2.8</b>	2.7

The analysis of the tax charge for the year above shows the calculation of the underlying tax charge in 2010 of €2.8 million, compared to €2.7 million in the previous year, equivalent to a rate of 13% (2009: 12.9%), when applied to the Group's Adjusted Profit before Tax. The underlying tax charge excludes the tax impact of exceptional items and deferred tax credits related to the amortisation of intangible assets and includes the Group's share of tax of its joint ventures. This underlying rate is used for the purposes of calculating adjusted earnings per share. The 2010 income statement shows a tax charge of €1.5 million, before these adjustments, compared to a credit of €1.3 million in the previous year.

### Non-controlling interest

A non-controlling interest credit of €0.4 million arose in 2010, reflecting losses in one non-wholly owned subsidiary, compared to a charge of €0.5 million in the previous year.

### Earnings per share

The calculation of adjusted fully diluted earnings per share, (which excludes the Group's share of the result of Balmoral, exceptional items and amortisation of intangible assets), is set out below. Adjusted fully diluted earnings per share amounted to €5.50 cent in 2010, up 6% on the previous year. This increase reflects the higher profits, the lower non-controlling interest charge and the positive impact of the repurchase of shares late in the year. A full reconciliation of adjusted and unadjusted fully diluted earnings per share is set out in note 9 of the financial statements. Fully diluted earnings per share, before adjustments, amounted to €2.23 cent in 2010 compared to a loss of €3.03 cent in the previous year.

Fyffes repurchased 17 million of its own shares in the market in November 2010, amounting to 5% of the shares then in issue. This resulted in the reduction in the weighted average number of shares in the calculation of earnings per share above. The full impact on earnings per share of the shares repurchased will arise in 2011.

	<b>2010</b>	2009
	<b>€M</b>	€M
Adjusted profit before tax	<b>21.3</b>	21.2
Underlying tax charge	<b>(2.8)</b>	(2.7)
Non-controlling interest	<b>0.4</b>	(0.5)
<b>Earnings for calculation of adjusted EPS</b>	<b>19.0</b>	18.0
<b>Weighted average no. of shares (diluted) (M)</b>	<b>344.6</b>	346.4
<b>Adjusted EPS – cent</b>	<b>5.50</b>	5.19

# Operating and Financial Review *(continued)*

## Summary Balance Sheet

	<b>2010</b>	2009
	<b>€'M</b>	€'M
Intangible assets	<b>20.9</b>	16.6
Property, plant and equipment	<b>69.9</b>	64.2
Investment in joint ventures	<b>31.0</b>	32.3
Investment in Balmoral International Land plc	<b>12.0</b>	24.1
Working capital/hedging instruments	<b>24.8</b>	20.2
Taxation	<b>(15.4)</b>	(15.8)
Provisions	<b>(21.7)</b>	(14.8)
Pension (liability) - net of deferred tax	<b>(9.6)</b>	(9.6)
Net cash	<b>37.1</b>	36.6
<b>Net assets</b>	<b>149.0</b>	153.8
Shareholders' equity	<b>148.1</b>	151.7
Non-controlling interests	<b>0.9</b>	2.1
<b>Net assets</b>	<b>149.0</b>	153.8

### Dividend and share buyback

The 17 million Fyffes shares purchased in the market in 2010 cost €5.3 million. With dividends paid in the year of €5.7 million, Fyffes returned total cash of €11 million to shareholders in 2010, compared to €5.4 million in the previous year. Taking into account the Group's financial position and other investment opportunities, the Board may from time to time repurchase further Fyffes plc shares in the market. Following this most recent share buyback, and the cancellation of 3.9 million shares previously held as treasury shares, the Group held 32,075,000 Fyffes plc Ordinary shares of €0.06 each at 31 December 2010 as treasury shares.

The Board is proposing to pay a final dividend for 2010 of 1.2 cent per share, an increase of 9.1%. Subject to shareholder approval at the forthcoming AGM, this dividend, which will be subject to Irish withholding tax rules, will be paid on 18 May 2011 to shareholders on the register on 15 April 2011. In accordance with company law and IFRS, this dividend has not been provided for in the balance sheet at 31 December 2010. Total dividends in respect of 2010 will amount to 1.75 cent, up 6.1% on the previous year and equivalent to a payout ratio of 31.8% based on adjusted earnings per share. This represents a yield in excess of 4% based on Fyffes' current share price.

# Operating and Financial Review *(continued)*

## Shareholders' equity

Shareholders' equity at 31 December 2010 amounted to €148.1 million compared to €151.7 million at the start of the year. The following table summarises the changes during the year:

<b><i>Movement in shareholders' equity</i></b>	<b>2010</b>	2009
	<b>€'M</b>	€'M
At beginning of year	<b>151.7</b>	202.4
Profit/(loss) after tax and non-controlling interest	<b>7.7</b>	(10.5)
Share of Balmoral losses set against revaluation reserves	<b>(3.8)</b>	(8.0)
Dividends paid	<b>(5.7)</b>	(5.4)
Purchase of own shares	<b>(5.3)</b>	-
Pension scheme actuarial gain/(loss) net of deferred tax	<b>0.3</b>	(8.8)
Share of actuarial (losses) in joint ventures net of deferred tax	<b>(1.7)</b>	(1.2)
Translation of non-Euro denominated net assets	<b>5.4</b>	(5.1)
Movement in hedging reserves net of deferred tax	<b>(0.8)</b>	(11.9)
Shares issued	<b>0.1</b>	-
Share based payments/other	<b>0.2</b>	0.2
At end of year	<b>148.1</b>	151.7

Shareholders' funds reduced by €3.6 million in 2010. The increases from profits in the Group's tropical produce operations of €16 million and currency gains of €5.4 million on translation of its non-Euro denominated net assets were more than offset by the €12.1 million reduction in the carrying value of its investment in Balmoral and the €11 million returned to shareholders in dividends and shares repurchased.

### Investment in Balmoral International Land plc ('Balmoral')

In accordance with International Financial Reporting Standards, Fyffes' 40% investment in Balmoral is treated as an investment in an associated company and accounted for under equity accounting rules. Under these rules, Fyffes carries this investment at €12 million, representing its share of Balmoral's reported net assets at 31 December 2010.

This reflects a further significant reduction in its net asset value and is based on up-to-date independent professional

valuations of its property portfolio. The market value of this investment at 31 December 2010 was €3.5 million, based on its then share price of €0.015 per share. As in previous years, the resulting discount to net asset value of €8.5 million, which has narrowed considerably from €47.6 million in 2008 and €13.6 million in 2009, has not been recognised in Fyffes' balance sheet at 31 December 2010.

### Defined benefit pension schemes

The deficit in the Group's defined benefit pension schemes, before deferred tax, decreased from €14.5 million at the beginning of the year to €13.8 million at the end of the year. The value of the assets in the various schemes increased by €12.1 million (+12.3%) in 2010, while liabilities increased by €11.4 million due to a reduction in long term bond rates. The schemes are closed to new entrants.

## Operating and Financial Review *(continued)*

<b>Movement in defined benefit pension obligations</b>	<b>2010</b>	2009
	<b>€'M</b>	€'M
(Deficit) at beginning of year	<b>(14.5)</b>	(10.0)
Pension expense recognised in income statement	<b>(1.7)</b>	(1.6)
Actuarial gain/(loss) recognised in statement of comprehensive income	<b>0.6</b>	(10.4)
Employer contributions to schemes	<b>2.3</b>	7.9
Exchange movement	<b>(0.5)</b>	(0.4)
(Deficit) at end of year	<b>(13.8)</b>	(14.5)
Related deferred tax asset	<b>4.2</b>	4.9
Net (deficit) after deferred tax	<b>(9.6)</b>	(9.6)

### Provisions

Total provisions in the balance sheet at 31 December 2010 amounted to €21.7 million, compared to €14.8 million at the previous year end, as analysed in the following table. The increase in deferred consideration liabilities in 2010 relates to an upward revision of the estimated amount payable under the existing purchase agreement for the Group's US melon business to reflect its improved performance.

	<b>2010</b>	2009
	<b>€'M</b>	€'M
Deferred consideration on acquisitions	<b>15.4</b>	8.9
MNOPF legal obligation	<b>6.2</b>	6.0
Total provisions	<b>21.7</b>	14.8

### EU Competition investigation

In 2008, the European Commission published its Decision following the conclusion of its investigation into the supply of bananas in the Northern European region of the EEA. No adverse findings were made against Fyffes and no fine imposed on it. Fyffes was very pleased with this outcome as regards its activities.

At the same time, the European Commission found the Group's German joint venture, Internationale Fruchtimport Gesellschaft Weichert & Co KG ("Weichert") and Fresh Del Monte Produce Inc ("Del Monte") jointly and severally liable for a fine of €14.7 million for breaches of Article 81 of the Treaty of Rome and Article 53 of the European Economic Area (EEA) Agreement relating to the supply of bananas to the Northern European region of the EEA, in the period 1 January 2000 to 31 December 2002. Fyffes acquired its 80% interest in Weichert from Del Monte on 1 January 2003. The Commission found that Weichert was controlled by Del Monte throughout the period covered by the Decision.

Proceedings in relation to this matter are continuing. Weichert continues to assert that it did not breach EU Competition regulations. Based on legal advice, Weichert provided for a net exceptional charge of €3.7 million in its 2008 accounts in this regard. While Fyffes has no liability in this matter, the Group's Income Statement in 2008 reflected Fyffes' 80% share of the net exceptional charge recognised in Weichert's accounts, amounting to €2.9 million, on a prudent basis.

# Operating and Financial Review *(continued)*

## Summary Cash Flow Statement

	2010 €'M	2009 €'M
<b>Inflows</b>		
Adjusted EBITA	21.3	20.7
Net interest received	0.3	2.1
Cash impact of exceptional items	-	(1.3)
Depreciation	5.6	5.0
Impairment charge on plant and equipment	-	1.9
Share of joint ventures profit before tax	(2.0)	(4.1)
Dividends/loans payments by joint venture*	1.1	2.6
<b>Total inflows</b>	<b>26.3</b>	<b>26.9</b>
<b>Outflows</b>		
Capital expenditure (including leased assets)*	(7.5)	(4.8)
Acquisitions (including debt acquired)	-	(3.0)
Purchase of own shares	(5.3)	-
Dividends paid to shareholders	(5.7)	(5.4)
Deferred acquisition consideration	(0.9)	-
Dividends paid to non-controlling interests	(0.8)	-
Tax paid	(1.4)	(2.0)
Pension contributions in excess of charge	(0.6)	(6.3)
Working capital	(3.3)	(1.1)
Other	(0.6)	(0.2)
<b>Total outflows</b>	<b>(26.1)</b>	<b>(22.8)</b>
<b>Net inflows</b>	<b>0.2</b>	<b>4.1</b>
Translation of non-euro denominated funds	0.3	0.3
Net funds at beginning of year	36.6	32.2
<b>Net funds at end of year</b>	<b>37.1</b>	<b>36.6</b>

\* In 2009, dividend/loan payments by joint ventures and capital expenditure are both net of the €5.4 million cost of a distribution centre acquired from a joint venture in the UK which was funded by a dividend from that joint venture.

### Movement in net funds

Net funds increased to €37.1 million at 31 December 2010 from €36.6 million at the beginning of the year. Operating cash generated in the year, excluding depreciation and the contribution from joint ventures, amounted to €26 million, slightly up on 2009. Of this, €11 million was returned to shareholders through dividends and the repurchase of shares as noted above. Capital expenditure amounted to €7.5 million in 2010, including leased assets of €1.4 million. Working

capital outflows amounted to €3.3 million in the year, mainly as a result of a loan advanced to one of the Group's large suppliers. Other significant expenditure in the year included tax payments of €1.4 million, pension contributions in excess of the charge in the income statement of €0.6 million, deferred acquisition consideration paid of €0.9 million and dividends of €0.8 million paid to non-controlling shareholders.

# Operating and Financial Review *(continued)*

## Business and Financial Risks and Financial Instruments

### Key business drivers

The key drivers of short term performance in Fyffes' tropical produce operations are:

- selling prices;
- cost of fruit;
- shipping and fuel costs;
- exchange rates;
- EU banana import duty.

Given the significance of these factors, the Group's short term performance can be difficult to predict and potentially volatile.

### Key operational risks

The principal risks and uncertainties the Group faces on an ongoing basis relate to the factors outlined above and include, in particular, the challenge of passing on inflationary increases in supply chain costs to the Group's customers, particularly the increasingly concentrated retail sector. The Group's performance is also influenced by normal supply and demand factors, including the impact of weather in both the producing countries and in the main markets in which Fyffes trades and by trends in consumption of fresh produce. Fyffes operates in a highly competitive industry and consequently the actions of competitors can also influence the performance of the Group. Fyffes has always pursued a strategy of growth by acquisition and future growth will remain dependant on the Group's ability to continue to successfully complete such transactions. Fyffes is also dependent on the continuing commitment of its senior management.

### Risks of operating internationally

The Group's operations are in part dependent upon activities and investments in jurisdictions outside of the EU. Although Fyffes aims to co-operate with and invest only in countries that are politically stable, these operations and investments are subject to risks that are inherent in operating in certain foreign countries, including: political changes and economic crises which may lead to significant changes in the business environment; and economic downturns, political instability, war or civil disturbances which may disrupt individual markets. In addition, the Group operates some of its businesses through joint ventures in which its rights to control business decisions is limited.

### Transportation risks

An extended interruption in Fyffes' ability to ship or distribute its products could have an adverse effect on the Group's performance. While Fyffes believes it is adequately insured and would attempt to transport its products by alternative means if there was an interruption due to strike, natural disasters or otherwise, the Group cannot be sure that it would be able to do so or be successful in doing so in a timely and cost-effective manner. Shipping and fuel are among the principal costs of the Group. When these costs increase, the Group may not be able to pass on the full impact of these higher costs to customers.

### Production and quality risks

Adverse weather and other unfavourable conditions for tropical produce production can adversely affect crop size and quality. In extreme circumstances, entire harvests may be lost in specific geographic areas. These factors can increase costs, decrease revenues and lead to additional charges to earnings which, from time to time, may have an adverse effect on the Group's business. Similarly, serious quality issues and in particular deliberate or accidental contamination could have a significant impact on revenue.

### Earnings sensitivity to market conditions

Fyffes' earnings are significantly dependent on the selling prices obtained for tropical produce, which competes directly in any given market with other imported fresh produce and with local production when in season. Pricing is largely determined by market supply of and demand for tropical produce and competing fresh produce. Market demand is a function of population size, per capita consumption, the availability and quality of tropical produce, the availability, quality and price of locally produced or imported competing products and climatic and other general conditions in the marketplace. The global and individual country markets can from time to time be over-supplied. Excess supplies of tropical produce or competing fresh produce could lead to reduced selling prices for tropical produce and could have an adverse effect on Fyffes' performance.

## Operating and Financial Review *(continued)*

### **Key financial risks**

The Group's multinational operations expose it to different financial risks that include foreign exchange rate risks, credit risks, liquidity risks and interest rate risks. Fyffes has a risk management programme in place which seeks to limit the impact of these risks on the financial performance of the Group. The Board has determined the policies for managing these risks. It is the policy of the Board to manage these risks in a non-speculative manner.

### **Foreign exchange risk**

Fyffes' primary input costs are fruit, shipping and fuel. These costs are denominated in US Dollars while most sales are made in Euro and Sterling. Although Fyffes may engage in foreign currency hedging transactions from time to time, there can be no assurance that those hedging transactions will be sufficient to protect against adverse exchange rate fluctuations; meaning that profits may be affected by fluctuations in exchange rates. A strengthening of the US Dollar against the Euro and Sterling could have an adverse effect on the Group's performance. These currency risks are monitored by the Group's Treasury Committee on an ongoing basis and managed as deemed appropriate by utilising a combination of spot and forward foreign currency contracts and foreign currency options. The Group's balance sheet is also exposed to currency fluctuations relating to its net investment in its overseas non-euro denominated operations. Depending on the scale of the transaction, Fyffes may finance its overseas investments through foreign currency borrowings to hedge this exposure. Post acquisition, these overseas businesses generally fund their operations locally.

### **Credit and liquidity risk**

The Group has detailed procedures for monitoring and managing the credit risk related to its trade receivables. Cash and short term bank deposits are invested with institutions of the highest credit rating with limits on amounts held with individual banks or institutions at any one time. It is also the policy of the Group to have adequate undrawn facilities available at all times to cover unanticipated financing requirements. The maximum exposure to credit risk is represented by the carrying amount of the financial assets in the balance sheet.

### **Interest rate risk**

The Group's balance sheet contains both interest bearing assets and interest bearing liabilities. In general, the approach employed by the Group to manage its interest rate exposure is to maintain the majority of its cash, short term bank deposits and interest bearing borrowings on floating rates. Rates are generally fixed for relatively short periods in order to match funding requirements while being able to benefit from opportunities due to movements in longer term rates.

### **Financial instruments**

Fyffes finances its operations through a combination of retained profits and its own net cash resources. The financial instruments that arise from this activity comprise bank deposits, bank loans and potentially, from time to time, certain financial assets such as government securities, commercial paper and other trade investments. Other financial instruments such as trade receivables and trade payables arise directly from operations. In addition, as noted above, the Group enters into hedging instruments with a view to managing currency risk and, to a lesser extent, the interest rate risk arising from its operations.

The disclosures required under IFRS 7 and IAS 39 in relation to these financial instruments and the above risks are set out in Note 29 to the financial statements on pages 92 to 99.

# Sustainability and responsibility

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Fyffes has a responsible attitude towards the environment, its growers, its customers and the consumer, and is proud of its corporate social responsibility and sustainability profiles. Longstanding trading relationships with growers have encouraged partnerships in community development programmes and sponsorships.

Fyffes is aware of the social and environmental issues associated with the products that it sources and sells, particularly as a large proportion of its fresh produce supplies originate in developing countries. Whether conventional, organic or Fairtrade, all Fyffes fruit is produced to the highest quality and ethical standards, and listed below are some of the tools that it uses to help achieve this.

## Codes of Best Practice

The Group requires its direct banana and pineapple suppliers to comply with its own Codes of Best Practice which are designed to reduce the impact of agricultural production on the environment and to ensure safe working conditions and fair treatment for workers in compliance with internationally accepted labour standards.

## Ethical Trading Initiative

Fyffes is a member of the UK government-sponsored Ethical Trading Initiative (ETI). The ETI is an alliance of companies, non-governmental organisations and labour representative bodies working in partnership to improve the lives of workers across the globe who make or grow consumer goods. The ETI Base Code is incorporated in Fyffes' Codes of Best Practice.

## Global GAP accreditation

Fyffes is a founder member of Global GAP, established by major food retailers and their suppliers across Europe to address consumer concerns about food safety, environmental protection and worker welfare and to promote safe and sustainable agriculture. An extensive range of guidelines has been published on these matters, resulting in the Global Good Agricultural Practice (Global GAP).

## The Carbon Trust Standard

The Carbon Trust Standard recognises organisations for real carbon reduction. Based on a rigorous independent assessment, it certifies that organisations have measured, managed and reduced their carbon emissions across their own operations and are committed to reducing them year on year.

Fyffes Group Limited has become the first UK banana importer and distributor to have been awarded the Carbon Trust Standard, after taking action on climate change by measuring, managing and reducing its carbon emissions by nearly 8% over the past three years.

Fyffes in the UK has reduced carbon emissions significantly as part of the initiative and further reductions are planned. The assessment process to achieve the Carbon Trust Standard has helped Fyffes to quantify its footprint, benchmark performance and identify areas for ongoing improvement.

## World Banana Forum

The World Banana Forum (WBF) was established under the auspices of the UN Food and Agriculture Organisation in December 2009. It is a permanent forum that facilitates the sharing of information, ideas and best practice among the stakeholders of the banana sector, including representatives from the banana industry, civil society organisations and national governments. Fyffes is an active member of the Steering Group and the Working Group on "Sustainable Banana Production and Environmental Impact."

Through all the above, and other social responsibility measures, Fyffes aims to provide the finest quality produce, produced under the safest working conditions, following the fairest labour practices and with the minimum environmental impact. The Group is pro-active in these matters and actively participates in industry forums on social, ethical, health and safety and environmental issues. In addition, Fyffes is satisfied that it has appropriate risk management procedures in place to ensure it complies with the highest standards in relation to food safety regulations.

# Financial Statements

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## Directors and Other Information

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### **Fyffes plc**

David McCann, *Executive Chairman*

Coen Bos

Dr Paul Clüver

Declan McCourt

Tom Murphy

James O'Dwyer

Jimmy Tolan

### **Secretary and Registered Office**

Seamus Keenan

29 North Anne Street

Dublin 7

### **Auditor**

KPMG

Chartered Accountants

1 Stokes Place

St Stephen's Green

Dublin 2

### **Registrars**

Computershare Services (Ireland) Limited

Heron House

Corrig Road

Sandyford Industrial Estate

Dublin 18

### **Solicitors**

Arthur Cox

Arthur Cox Building

Earlsfort Terrace

Dublin 2

S J Berwin LLP

10 Queen Street Place

London EC4R 1BE

Holland & Knight LLP

701 Brickell Avenue

Suite 3300

Miami, FL 33131

USA

### **Principal Bankers**

Allied Irish Banks plc

Bankcentre

Ballsbridge

Dublin 4

Barclays Bank plc

Pall Mall

London SW1Y 5AX

### **Stockbrokers and Nominated Advisor**

Davy

49 Dawson Street

Dublin 2

# Directors' Report

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The directors present their report to the shareholders, together with the audited financial statements, for the financial year ended 31 December 2010.

## Principal activities and business review

Fyffes plc is a publicly quoted company incorporated in Ireland. Fyffes is one of the largest marketers and distributors of tropical produce globally. The Group also has an investment in Balmoral International Land plc, an international property company. A detailed business review is included in the Operating and Financial Review on pages 10 to 19. The Operating and Financial Review also includes details of the key business and financial risks faced by the Group and an analysis of the key performance indicators, including adjusted earnings before interest, tax and amortisation (Adjusted EBITA) and key short-term variables such as selling prices, costs and exchange rates.

## Profit

Details of the profit for the year are set out in the income statement on page 42.

## Dividends

An interim dividend in respect of 2010 of 0.55 cent (2009: 0.55 cent) per share was paid on 20 October 2010. The directors have proposed, subject to shareholder approval at the Annual General Meeting ("AGM"), the payment of a final dividend for 2010 of 1.2 cent (2009: 1.1 cent) per share.

## Future developments

A review of future developments of the business is included within the Chairman's Statement on page 8 and the Operating and Financial Review on pages 10 to 19.

## Directors and secretary

Dr P F Clüver has indicated an intention not to seek re-election at the AGM on 12 May 2011. In accordance with the Articles of Association of the Company, D V McCann and J D McCourt retire from the Board and, being eligible, offer themselves for re-election. Details of the terms of the service contract of C Bos are set out in the compensation committee report on pages 34 to 38. No other director has a service contract with any Group company.

## Directors' and company secretary's interests

Details of the directors' and company secretary's share interests and interests in share options of the Company and Group companies are set out in the compensation committee report on pages 34 to 38.

## Substantial holdings

The directors have been notified of the following significant interests in the issued ordinary share capital of the Company at 31 December 2010:

	<i>Number of Ordinary Shares</i>	<i>Percentage</i>
Balkan Investment Company and related companies	37,238,334	11.3%
Fidelity International	34,591,600	10.5%
Marathon Asset Management LLP	29,290,812	8.9%
Farringdon Capital Management	20,500,000	6.2%
Sparinvest SA	18,619,821	5.7%

Arnsberg Investment Company, which is a related party of Balkan Investment Company, owns 6.7% of the issued share capital of the Company which is included in the total above. Irish Life Investment Managers have notified the directors that they hold in excess of 3% of the issued share capital of the Company at 31 December 2010 and have indicated that these shares are not beneficially held by them. The Board has not been notified of any other holdings of 3% or more of the issued ordinary share capital of the Company.

# Directors' Report *(continued)*

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## **Directors' interests in contracts**

None of the directors had a beneficial interest in any material contract to which the Company or any subsidiaries was a party during the year.

## **Treasury shares**

On 17 November 2010, Fyffes purchased 17,000,000 ordinary shares of €0.06 each in the issued share capital of the Company on the market at a price of €0.31 per share at a total cost of €5,336,000, including taxes and commission. On the same date, Fyffes cancelled 3,946,610 ordinary shares previously held by the Company as treasury shares. At 31 December 2010, the total number of treasury shares held amounted to 32,075,000 (2009: 19,021,610) ordinary €0.06 shares at a cost of €20,730,000 (2009: €23,690,000). These shares represent 8.9% of the ordinary shares in issue at 31 December 2010 (2009: 5.2%). The rights to dividends on these shares have been waived and they are excluded from the calculation of adjusted earnings per share.

## **Accounting records**

The directors believe that they have complied with the requirements of Section 202 of the Companies Act, 1990, with regard to books of account by employing accounting personnel with appropriate expertise and by providing adequate resources to the financial function. The books of account of the Company are maintained at Ramparts Road, Dundalk, Co Louth, Ireland.

## **Political donations**

During the year, the Group and Company did not make any donations disclosable in accordance with The Electoral Acts, 1997–2007.

## **Auditor**

In accordance with Section 160(2) of the Companies Act, 1963, the auditor, KPMG, Chartered Accountants, has expressed willingness to continue in office. A resolution will be proposed at the AGM for the re-appointment of KPMG as auditor of the Company.

## **Going concern**

The Group has considerable financial resources. As a consequence, the directors believe that Fyffes is well placed to manage its business risks successfully despite the current uncertain economic outlook. After making enquiries, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

## **Subsidiaries, joint ventures and associates**

Information on the Group's significant subsidiaries, joint ventures and associates is included on pages 107 and 108.

## **Annual General Meeting ('AGM')**

Your attention is drawn to the Notice of the AGM of AIM and ESM listed Fyffes plc which will be held at The D4 Berkeley Hotel, Ballsbridge, Dublin 4, on 12 May 2011 at 11.00am and is set out on pages 109 to 113 of this document.

In addition to the usual business to be transacted at the AGM (as set out in resolutions 1 to 4 in the notice of the meeting) there are four items of special business proposed for the meeting. The four items of special business (i.e. Resolutions 5, 6, 7 and 8) all relate to the share capital of the Company and concern matters which are now routine for most public companies.

Under the first item of special business (Resolution 5), shareholders are being asked to renew the authority of the directors to allot new shares. This authority will be limited to the allotment of up to an aggregate amount of €6,523,503 in nominal value of ordinary shares (being 33% of the nominal value of the Company's issued share capital for the time being). If adopted, this authority will expire on the earlier of the close of business on 12 August 2012 or the date of the AGM of the Company in 2012.

# Directors' Report *(continued)*

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## **Annual General Meeting ('AGM')** *(continued)*

Under the second item of special business (Resolution 6), shareholders are being asked to renew the authority to disapply the strict statutory pre-emption provisions in the event of a rights issue or in any other issue up to an aggregate amount of €1,976,819 in nominal value of ordinary shares, representing 10% of the nominal value of the Company's issued ordinary share capital for the time being, which limit has become more commonplace for AIM and ESM listed companies. If adopted, this authority will expire on the earlier of the close of business on 12 August 2012 or the date of the AGM of the Company in 2012.

Under the third item of special business (Resolution 7), shareholders are being asked to extend the authority granted at the last AGM to give the Company, or any of its subsidiaries, the authority to purchase up to 10% of its own shares. If adopted, this authority will expire on the earlier of the close of business on 12 November 2012 or the date of the AGM of the Company in 2012. The Board reviews the appropriateness of share repurchases on an ongoing basis and this authority is being sought as it is common practice for public companies. Such purchases would be made only at price levels which the directors considered to be in the best interests of the shareholders generally, after taking into account the Company's overall financial position. In addition, the authority being sought from shareholders will provide that the minimum price which may be paid for such shares shall not be less than the nominal value of the shares and the maximum price will be 105% of the then market price of such shares.

Shareholders are also being asked under the fourth item of special business (Resolution 8) to pass a resolution authorising the Company to reissue such shares purchased by it and not cancelled, as treasury shares. If granted, the minimum and maximum prices at which treasury shares may be reissued shall be set at 95% and 120%, respectively, of the then market price of such shares. This authority will expire on the earlier of the close of business on 12 November 2012 or the date of the AGM of the Company in 2012.

A Form of Proxy for use at the AGM is being sent to shareholders along with this Annual Report. You are requested to complete, sign and return the Form of Proxy as soon as possible whether or not you propose to attend the meetings in person. To be valid, the Form of Proxy should be returned by hand or by post to the registrar of the Company, Computershare Services (Ireland) Limited, P.O. Box 954, Sandyford, Dublin 18, or by facsimile transmission to the facsimile number printed on the Form of Proxy, to arrive not less than 48 hours before the time appointed for the holding of the meeting. You may appoint more than one proxy provided that each proxy is appointed to exercise the rights attached to a different share or shares held by him/her. The completion and return of a form of proxy will not preclude you from attending and voting at the meeting should you so wish. Alternatively, you may appoint a proxy or proxies electronically by logging on to the website of the registrars, Computershare Services (Ireland) Limited: at [www.computershare.ie](http://www.computershare.ie). Shareholders will be asked to enter their Shareholder Reference Number and PIN Number, in addition to the meeting Control Number, as printed on your Form of Proxy and agree to certain conditions.

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

### *On behalf of the Board*

**D V McCann**

*Executive Chairman*

**T G Murphy**

*Finance Director*

*2 March 2011*

# Corporate Governance Report

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## **Application of the Combined Code principles**

Fyffes plc ("Fyffes") is firmly committed to business integrity, high ethical values and professionalism in all its activities and operations. This includes a commitment to high standards in corporate governance. As an ESM and AIM listed company, Fyffes is not obliged to comply with the Revised Combined Code on Corporate Governance which forms part of the Listing Rules of the Irish and London Stock Exchanges ("the 2008 FRC Combined Code"). However, the Board strives to apply the principles and provisions of the 2008 FRC Combined Code and this report sets out the extent to which it has done so.

## **The Board of directors**

Fyffes is led by a strong and effective Board of Directors (see biographical details set out on page 9). Throughout 2010, the Board comprised the Executive Chairman, two other executive directors and four non-executive directors. The Board considers all of the non-executive directors to be independent.

The executive directors are responsible for the operation of the business while the non-executive directors bring independent objective judgement to bear on Board decisions by constructively challenging management and helping to develop the Group's strategic objectives. All of the directors have fiduciary responsibilities to the Company.

Each of the executive directors has extensive knowledge of the fresh produce industry, in addition to wide-ranging business skills and commercial experience. All of the directors bring an objective judgement to bear on issues of strategy, performance, resources (including key appointments) and standards of conduct. Board members are selected because of their pertinent experience and appropriate training is available to them whenever necessary. On appointment, new directors receive an induction into the Group's activities and into the operation and procedures of the Board.

Executive Chairman D V McCann is responsible for the running of the Board including setting its agenda, ensuring its effectiveness and managing the interaction between the executive and non-executive directors. He is also responsible for ensuring timely and effective communication with shareholders. Responsibility for running the Group's business rests with the executive directors comprising the Executive Chairman, the Chief Operations Officer and the Finance Director. The Board is satisfied that this division of responsibilities is appropriate for the size of the business and ensures that no one director has exclusive decision making powers.

## **Independence of non-executive directors**

The Board has evaluated the independence of each of its non-executive directors. Following this assessment, the Board has determined that, throughout the reporting period, all of its non-executive directors, who are appointed for specified terms of office, were independent, based above all on their objectivity and integrity. The terms and conditions relating to the appointment of the non-executive directors are available from the company secretary.

In arriving at its conclusion, the Board considered the factors set out in the 2008 FRC Combined Code including, inter alia, whether any of the non-executive directors:

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

# Corporate Governance Report *(continued)*

## **Independence of non-executive directors** *(continued)*

The 2008 FRC Combined Code acknowledges that a director may be regarded as independent notwithstanding the existence of any of the above factors.

Dr P F deV Clüver has been a director of Fyffes since 1999. He has specific and unique experience of the fresh produce industry through his role as Chairman of Capespan Group Limited in South Africa. He has indicated an intention not to seek re-election at the next AGM of the Company. J D McCourt joined the Board in 2003. He has extensive commercial experience through his role as Chief Executive of automobile distributor, the OHM Group, and as a director or former director of other listed companies. J M O'Dwyer was appointed to the Board in 2007. He is former Chairman of and remains a consultant with Arthur Cox, the leading Dublin based law firm used by the Group. He has many years of experience in mergers and acquisitions. J P Tolan was Chief Executive of Fyffes from January 2007 until he resigned in April 2008 to become Chief Executive of Vhi Healthcare. He joined Fyffes in 1990 and has extensive experience and knowledge of the fresh produce sector.

Having carried out a detailed assessment, the Board has concluded that all of the non-executive directors are independent of management and that they discharge their duties in a proper and independent manner. They are objective and appropriately challenge the executive directors and the Board on an ongoing basis. They bring an unfettered perspective to their advisory and monitoring roles.

## **Senior non-executive director**

J D McCourt acted in the capacity of senior independent non-executive director throughout the year.

## **Operation of the Board**

	<b>Full Board</b>	<b>Audit Committee</b>	<b>Compensation Committee</b>
<b>Number of meetings held in 2010</b>	<b>6</b>	<b>3</b>	<b>2</b>
<b>Directors and positions held:</b>			
D V McCann – Executive Chairman	6	-	*1
C Bos – Chief Operating Officer	6	-	-
T G Murphy – Finance Director	6	*3	-
J D McCourt – Non executive	6	3	2
Dr P F deV Clüver – Non executive	6	3	-
J M O'Dwyer – Non executive	6	-	2
J P Tolan – Non executive	5	-	-

\* *In attendance only*

In addition to the scheduled meetings above, there were a number of other ad-hoc and sub-committee meetings during 2010 to deal with specified matters.

The Board and its committees are supplied with relevant, timely and accurate information for review prior to each meeting to enable them to discharge their duties. The Board has identified and formally adopted a schedule of key matters that are reserved for its decision, including the annual fiscal and capital budgets, interim, preliminary and final results announcements, interim and final dividends, the appointment or removal of directors and the company secretary, circulars to shareholders, Group treasury policies and capital expenditure and acquisitions in excess of €20 million. Certain other matters are delegated to Board committees, the details of which are set out below.

There is an agreed Board procedure enabling directors to take independent advice, in the furtherance of their duties, at the Company's expense. Each Board member has access to the impartial advice and services of the company secretary, who is responsible to the Board for ensuring that appropriate procedures are followed. The Company maintained directors' and officers' liability insurance throughout 2010.

# Corporate Governance Report *(continued)*

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## **Operation of the Board** *(continued)*

The Memorandum and Articles of Association of the Company require that one third of the Board must, by rotation, seek re-election at the Annual General Meeting (AGM) each year, together with all new directors appointed since the previous AGM. There is open communication between senior executive management and Board members.

## **Evaluation of performance of the Board, its committees and individual directors**

Towards the end of 2010, the Board undertook its annual evaluation of its own performance and that of its committees and of each individual director throughout the year. In assessing the performance of the Board, the directors considered such matters as the appropriateness of its composition, its effectiveness in developing Group strategy, its contribution to managing the Group's business and operational risks, its response to developing issues and its communications with the Group's stakeholders. In assessing the performance of the committees of the Board, the directors considered the appropriateness of their composition and terms of reference, their effectiveness in fulfilling their roles and their interaction with the Board. The assessment of the performance of individual directors included consideration of their commitment to their roles. The Chairman summarised the outcome of these evaluation processes, the results of which were satisfactory, and reported them to the Board in December 2010. In addition, the non-executive directors met privately to evaluate the effectiveness of the Chairman, the result of which was also satisfactory.

## **Board committees**

The composition and terms of reference of the committees of the Board are as follows:

### **Audit committee**

Full details of the composition, terms of reference and activities of the audit committee in 2010 are set out in the audit committee report on pages 31 to 33.

### **Nomination committee**

The terms of reference of the nomination committee are to evaluate the balance of skills, knowledge and experience of the Board, to consider the need for any new or additional appointments, where necessary to prepare a list of potential candidates and to forward the names of potential candidates to the Board for its consideration and, if appropriate, approval. The members of the nomination committee during the year were D V McCann and J D McCourt.

### **Compensation committee**

Details of the composition and terms of reference of the compensation committee, which has responsibility for the remuneration of the executive directors, are set out in the compensation committee report on pages 34 to 38.

## **Procedures in relation to share dealing**

In accordance with the terms of the Model Codes of the UK Listing Authority and the Irish Stock Exchange, Fyffes has a policy on regulating dealing in securities by its directors and other designated senior management. Directors and the company secretary require the authorisation of the Chairman before dealing in Fyffes' shares. Transactions in Fyffes' shares by the Chairman require the authorisation of the senior independent non-executive director. All share dealings by other designated senior management require the authorisation of the company secretary. Directors and other designated senior management are prohibited from dealing during certain specified periods each year and at all other times when the Company is in possession of price sensitive information.

# Corporate Governance Report *(continued)*

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## **Internal controls and the management of risk**

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

Fyffes operates a vigorous internal audit function under the direction of the audit committee. Both the internal audit and risk management functions facilitate each other and, together with divisional management, they provide the Board with distinct sources of reasonable assurance as to the effectiveness of the system of internal controls that underlies the Group's control environment.

Risk management within Fyffes is co-ordinated by the executive risk committee which directs the implementation of the process consistently throughout the Group and reviews the relevant findings. The committee periodically advises the audit committee of its conclusions which, in turn, reports these findings to the Board at least annually enabling corrective initiatives to be undertaken where appropriate. The executive risk committee assesses the key risks facing the Group and assists the Board in fulfilling its responsibility as to the manner in which risk is recognised, assessed and managed on an ongoing basis. The members of the committee during the year included the Group finance director, the head of internal audit, the company secretary and a number of other senior personnel.

Key risks that might impair the business from achieving its objectives are identified and assessed by conducting detailed reviews with executive managers at divisional level. Divisional management is thereafter charged with the cost efficient mitigation of the risks within their areas of responsibility. Risk evaluation and recommendations for strategic change are reviewed by the executive risk committee which reports its findings to the audit committee for its consideration. The Board also conducts its own risk identification and assessment so that it itself is sufficiently aware of the principal threats to which the Group may be exposed.

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

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

## **Communications with shareholders and Annual General Meeting (AGM)**

Communication with shareholders is given a high priority by Fyffes. There is regular dialogue and meetings with institutional shareholders, including general presentations after the release of the annual and interim results. Feedback from contact with shareholders is given to the Board at regular intervals. The Group publishes its preliminary and interim results presentations on the Company's website ([www.fyffes.com](http://www.fyffes.com)). Stock Exchange announcements in respect of trading updates and corporate activity are similarly published on the website.

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

Details of proxy voting are announced in respect of each resolution considered at the AGM or any EGM. As in previous years, the Company will arrange for the Notice of the 2011 AGM and related papers to be sent to shareholders at least 20 working days before the meeting.

# Corporate Governance Report *(continued)*

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## **Accountability and audit**

The contents of the operating and financial review, the directors' report and financial statements (in addition to official Company press releases, Stock Exchange announcements and interim results issued during the period) have been reviewed in order to ensure a balanced presentation, so that the Group's position and prospects may be properly appreciated by shareholders. A summary of directors' responsibilities in respect of the financial statements is given on page 39. The system of internal controls and risk management established to safeguard shareholders' investment and the Company's assets is set out above. The audit committee, whose composition and functions are described on pages 31 to 33, has considered, in conjunction with the external auditor, the accounting policies adopted in the financial statements and has evaluated the internal controls that have been established within the Group.

## **Environmental management, corporate responsibility and ethical trading initiatives**

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

The Group actively promotes best business practices and standards that seek to enhance the health, education and conditions of workers and their families and to universally encourage the use of sustainable farming methods by its suppliers. Further details of the Group's activities in this regard are set out on page 20.

## **Directors' remuneration**

The disclosures regarding directors' remuneration have been drawn up in accordance with the Listing Rules of the Irish Stock Exchange and are set out on pages 34 to 38.

# Audit Committee Report

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## Membership and responsibilities

The audit committee was comprised of independent non-executive directors Dr P F deV Clüver and J D McCourt (Chairman) throughout 2010. The Board believes that J D McCourt satisfied the recommendation in the 2008 FRC Combined Code that at least one member of the audit committee should have recent relevant financial experience. It is also satisfied that Dr P F deV Clüver, inter alia through his membership of the committee, was sufficiently knowledgeable in relevant financial matters to enable him to fulfil his responsibilities on the committee.

These responsibilities, which were reviewed in line with best practice during the year, are set out in the terms of reference of the audit committee. They are summarised below:

1. to approve the terms of engagement and remuneration of the external auditor and to recommend to the Board, when appropriate, any change in the external auditor;
2. to agree, in advance, with the external auditor the nature and scope of the audit as set out in their audit plan;
3. to review the Group's preliminary and interim financial information and full year financial statements and to report to the Board on the outcome of this review. As part of this process, the committee considers:
  - the appropriateness of the Group's accounting policies, including any changes in these policies;
  - any significant judgemental matters;
  - any significant audit adjustments;
  - the continuing appropriateness of the going concern assumption;
  - the contents of the directors' report, the operating and financial review and chairman's statement as set out in the annual report;
  - compliance with relevant financial reporting standards;
  - compliance with legal and Stock Exchange requirements.
4. to review any issues raised by the external auditor during the conduct of the audit. As part of this review, the committee considers any report from the external auditor on their findings in relation to the Group's financial systems and controls, together with any management responses. In addition, the committee reviews any representation letter required by the external auditor as part of the audit, prior to its endorsement by the Board. As appropriate, the committee also meets the external auditor independently of management at least annually;
5. to annually assess and monitor the independence, objectivity and effectiveness of the external auditor. As part of this process, the committee reviews the implementation of its policy in relation to the provision of non-audit services by the external auditor taking into account relevant ethical guidance. In addition, the committee has established a policy on the employment by the Group of former employees of the external auditor, which it monitors on an ongoing basis;
6. to meet regularly with the Group's head of internal audit in order to review the internal audit programme and to consider the findings on completed audits. The committee also reviews the adequacy of the resources of the internal audit team and the co-ordination between the internal and external auditor. The committee is responsible, in consultation with the Chairman of the Board, for the appointment or removal of the head of internal audit;
7. to address any other topics as requested by the Board, including to consider the findings of any internal investigations and the response of management;
8. to review the Group's arrangements for employees to raise concerns, in confidence, about possible impropriety in financial reporting or other matters and to ensure there is provision for a proportionate investigation and follow-up of such matters; and
9. to review, at least annually, the committee's own performance and terms of reference and to recommend any changes it considers necessary to the Board for approval.

# Audit Committee Report *(continued)*

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## Committee meetings in 2010

The audit committee schedules three routine meetings annually. There is a formal agenda for all meetings, which follows the financial reporting cycle of the Company. Meetings are attended as appropriate by the Group finance director, the Group financial controller, the head of internal audit and representatives of the external auditor. The main items on the agendas of each of the audit committee meetings held during 2010 were as follows:

### March meeting

- Review of the draft statutory financial statements for the year ended 31 December 2009 (including the directors' report, the Chairman's statement, the operating and financial review and the corporate governance report for the year), together with the draft preliminary results announcement to the Stock Exchange.
- Review with the external auditor the outcome of the audit of these financial statements, including any significant audit issues. This included a private meeting with the external auditor without management present.
- Approval of the letter of representation required by the external auditor in connection with audit.
- Recommendation of the draft statutory financial statements to the Board.
- Consideration of any observations or recommendations raised by the external auditor in its management letter, including management responses.
- Periodic review with the head of internal audit.

### September meeting

- Review of the draft interim financial statements for the first half of the year, together with the draft interim results announcement to the Stock Exchange.
- Consideration with the external auditor of their review of the interim financial statements.
- Recommendation of the draft interim financial statements to the Board.
- Periodic review with the head of internal audit.
- Consideration of the ongoing appropriateness of the committee's own terms of reference, the Group's policies in relation to the provision of non-audit services by the external auditor, the employment of former employees of the external auditor and any other relevant matters.

### December meeting

- Review with the external auditor of the nature and scope of the forthcoming audit as set out in the audit plan.
- Review of the proposed audit fees for the year.
- Consideration of the independence and objectivity of the external auditor, including assessment of the impact, in this regard, of any non-audit services provided.
- Review of the report of the executive risk committee. Recommendation of this report for approval by the Board.
- Periodic review with the head of internal audit.
- Private meeting with the head of internal audit without management.
- Review of effectiveness of the internal audit function.
- Review of the committee's own effectiveness.

# Audit Committee Report *(continued)*

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## **Independence of external auditor**

As part of its annual review of the independence of the external auditor, the audit committee seeks confirmation from the external auditor that he is, in his professional judgement, independent of Fyffes. The committee also monitors the nature, extent and scope of the non-audit services provided by the external auditor. In this regard, the engagement of the external auditor to provide any non-audit services, where the expected costs exceed a pre-approved limit, requires the approval of the audit committee.

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

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

The amounts paid to the external auditor during the year for audit and non-audit services is disclosed on page 61.

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

## **Performance evaluation**

Towards the end of 2010, the committee, as part of the overall evaluation of the Board and its directors, undertook a self-evaluation of its effectiveness. The outcome of this review, which was satisfactory, was reported to, and considered by, the Board in December 2010.

# Compensation Committee Report

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Throughout the financial year ended 31 December 2010, the Company has complied with the provisions relating to directors' remuneration contained in the Listing Rules of the Irish Stock Exchange.

## **Composition and terms of reference of compensation committee**

Throughout 2010, the compensation committee comprised solely of the independent non-executive directors, J D McCourt (Chairman) and J M O'Dwyer. These directors have no financial interest other than as shareholders in the matters to be decided, no potential conflicts of interest other than as shareholders in the matters to be decided, no potential conflicts of interest arising from cross-directorships and no day to day involvement in the running of the business. J D McCourt is a non-executive director of Balmoral International Land plc, in which Fyffes plc has a 40% stake.

The terms of reference of the compensation committee are:

- to establish the Company's policy on executive directors and senior management remuneration;
- to establish the terms of service agreements, remuneration packages and employment conditions of executive directors;
- to approve the grant of share options to executive directors and employees and to determine whether the conditions as set out in the share option scheme have been met;
- where appropriate to recommend to shareholders the establishment of medium or long term incentive schemes, to set appropriate performance targets for such schemes, to define the basis of participation in such schemes and to determine the grants of awards under such schemes;
- if necessary, to establish the amount and constituents of termination payments to be made to executive directors; and
- to report to shareholders on directors' remuneration in accordance with the requirements of the Irish Stock Exchange and Company Law.

The Chairman of Fyffes is consulted about the remuneration of the other executive directors and the compensation committee is authorised to obtain professional advice, if deemed appropriate.

## **Remuneration policy**

The Group's policy on executive directors' remuneration recognises that employment and remuneration conditions for senior executives must properly reward and motivate them to perform in the best interests of the shareholders.

The recurring elements of the remuneration package for executive directors are basic salary and benefits, annual incentive bonus, short term incentive plan, pensions and participation in the Company's share option scheme and profit sharing scheme. It is policy to grant options to senior executives to encourage identification with shareholders' interests. Employees are encouraged to hold shares for a further period after the exercise of their options, subject to the need to finance any cost of acquisition and associated tax liability.

## **Executive directors' basic salary and benefits**

Basic salaries of executive directors are reviewed annually with regard to personal performance, Group performance and competitive market practice.

## **Performance related bonus**

The Group pays performance related annual bonuses to executive directors. The level earned in any one year depends on an assessment of individual performance and the overall performance of the Group.

## **Pensions**

Pensions for executive directors are calculated on basic salary only and provide for two-thirds of pensionable salary for full service (40 years) at retirement.

# Compensation Committee Report *(continued)*

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## **Short term incentive plan**

As in previous years, the compensation committee authorised a Short Term Incentive Plan ("STIP") for the executive directors and senior management for the year ended 31 December 2010, in addition to the annual performance bonus arrangements. Under the terms of the STIP, an incentive award may be payable, subject to the achievement of a one year performance target based on the increase in total shareholder return (as measured by the annual capital appreciation plus dividends paid), bench-marked against a peer group of public companies. No payments arose under the STIP in respect of 2010.

## **Employee share option scheme**

It is the Group's policy to grant share options as an incentive to enhance performance and to encourage employee share ownership in the Company. The current employee share options scheme was approved by shareholders in 2007 to replace the previous share option scheme which had expired after ten years of operation. The percentage of share capital which can issue under the employee share option scheme and individual limits comply with institutional guidelines. The amount of ordinary share capital over which options may be granted in any ten year period is limited to 5% of the aggregate of the issued ordinary share capital. At 31 December 2010, options had been granted but not yet exercised over 10,438,336 (2009: 12,143,246) ordinary shares at prices ranging from €0.06 to €0.925, or 2.9% (2009: 3.3%) of the issued ordinary share capital of the Company. Details of the share options held by the executive directors and company secretary are set out on page 38.

## **Employee profit sharing scheme**

The Company has an employee profit sharing scheme which appropriated shares at market value for directors and other employees of the Group during the year. In December 2010, 69,400 ordinary €0.06 shares were appropriated on behalf of the executive directors and 34,700 ordinary €0.06 shares on behalf of the company secretary. These transactions took place at the market price on that day of €0.366 (total cost €38,000). Such shares held by the directors at the year end are included in the directors' share interests disclosed on page 37. Non-executive directors do not participate in this scheme.

## **Service contracts**

No service contracts existed between the Company or any of its subsidiaries and any executive or non-executive directors during the year except in the case of C Bos.

C Bos's service contract provides that he shall be entitled to a compensation payment equal to twice his income if his employment is terminated by the Group except in one of the following circumstances: (i) a summary dismissal for an urgent reason immediately communicated to C Bos within the meaning of Dutch law; (ii) after an illness lasting two years (or longer); or (iii) termination of the employment agreement by law on reaching 65 years or such earlier retirement date as provided in his pension scheme. Also, no compensation payment arises where his employment is terminated as a consequence of a dissolution based on important reasons within the meaning of section 7:685 of the Dutch Civil Code at the request of the Company provided that the dissolution is based on a change in circumstances within the meaning of section 7:685 of the Dutch Civil Code. In calculating the compensation payment, C Bos's contract provides that his income shall be understood to include his annual salary, the vacation allowance payable under his contract and the average bonus paid to him over the three calendar years preceding the termination of the employment.

## **Directors' interests in contracts**

There were no contracts at any stage during the year between the Company or any of its subsidiaries and any director of the Company.

# Compensation Committee Report *(continued)*

## Directors' remuneration

Aggregate directors' remuneration for the year was as follows:

	Executive Directors		Non-Executive Directors		Total	
	2010 €'000	2009 €'000	2010 €'000	2009 €'000	2010 €'000	2009 €'000
Basic salaries	1,420	1,420	-	-	1,420	1,420
Fees	-	-	250	250	250	250
Performance bonuses	558	558	-	-	558	558
Other benefits	60	60	-	-	60	60
Short Term Incentive Plan	-	710	-	-	-	710
Pension contributions	402	399	-	-	402	399
	<b>2,440</b>	3,147	<b>250</b>	250	<b>2,690</b>	3,397
Consultancy fees to past directors	-	17	-	-	-	17
<b>Total remuneration</b>	<b>2,440</b>	3,164	<b>250</b>	250	<b>2,690</b>	3,414
Number of directors (average)	<b>3</b>	3	<b>4</b>	4	<b>7</b>	7

In accordance with IFRS 2 Share-based Payment, a further expense of €73,000 (2009: €53,000) has been recognised in the income statement in respect of share options granted to directors. In accordance with IAS 19 Employee Benefits, the pension expense recognised in the income statement for executive directors amounted to €171,000 (2009: €281,000) compared with cash contributions of €402,000 (2009: €399,000). The pension contributions for the individual executive directors were: D V McCann - €181,000; C Bos - €119,000 and T G Murphy - €102,000 (2009: €181,000, €116,000 and €102,000 respectively). Actuarial losses recognised in the statement of comprehensive income, in respect of pension benefits of executive directors, amounted to €310,000 (2009: €1,782,000).

This is analysed by individual director, in accordance with the rules of the Irish Stock Exchange as follows:

	Salary or fees €'000	Performance Bonus €'000	Other benefits €'000	Total 2010 €'000	Total 2009 €'000
<i>Executives</i>					
D V McCann	681	225	21	927	1,268
C Bos	407	185	22	614	817
T G Murphy	332	148	17	497	663
	1,420	558	60	2,038	2,748
<i>Non executives</i>					
Dr P F de V Clüver	62	-	-	62	62
J D McCourt	82	-	-	82	82
J M O'Dwyer	56	-	-	56	56
J P Tolan	50	-	-	50	50
	250	-	-	250	250
<b>Sub-total</b>				<b>2,288</b>	2,998
Pension contributions or related payments for executive directors				402	399
Past directors				-	17
<b>Total directors' remuneration charged to Income Statement</b>				<b>2,690</b>	3,414

Other benefits for executive directors consist entirely of motor expenses.

# Compensation Committee Report *(continued)*

## Pension entitlements of executive directors

The pension benefits attributable to the executive directors during the year and the total accrued pensions at the end of the year were as follows:

	<b>Increase in accrued pension during 2010 (a) €'000</b>	<b>Transfer value of increase during 2010 (b) €'000</b>	<b>Total accrued pension at 31 Dec 2010 (c) €'000</b>	Increase in accrued pension during 2009 (a) €'000	Transfer value of increase during 2009 (b) €'000	Total accrued pension at 31 Dec 2009 (c) €'000
D V McCann	20	265	237	24	366	217
C Bos	7	71	83	7	64	75
T Murphy	13	145	165	23	304	152
<b>Total</b>	<b>40</b>	<b>481</b>	<b>485</b>	54	734	444

- (a) The increase in accrued pension during the year excluding inflation.
- (b) The transfer value of the increase in accrued pension has been calculated on actuarial advice. These transfer values do not represent sums paid or due, but are the amounts that the pension scheme would transfer to another pension scheme in relation to the additional benefits accrued in the year, in the event of a member of the scheme leaving service.
- (c) This represents the pension which would be paid annually, on normal retirement date, based on service to the end of this accounting period.

## Directors' and company secretary's share interests

The interests of the directors in the issued share capital of the Company are shown below.

	<b>At 31 December 2010 Beneficial number Fyffes plc Ordinary shares of €0.06</b>	At 31 December 2009 Beneficial number Fyffes plc Ordinary shares of €0.06
D V McCann	<b>1,940,493</b>	1,905,793
C Bos	<b>25,000</b>	-
T G Murphy	<b>567,200</b>	532,500
Dr P F de V Clüver	-	-
J D McCourt	<b>50,000</b>	50,000
J M O'Dwyer	-	-
J P Tolan	<b>359,290</b>	359,290

At 31 December 2010, the company secretary, S P Keenan, held 252,957 Fyffes plc ordinary €0.06 shares (2009: 218,257).

# Compensation Committee Report *(continued)*

## Directors' and company secretary's interests in share options

Information on directors' and company secretary's share options to subscribe for ordinary shares of the Company is set out below.

	Options held at 31 Dec 2009			Options held at 31 Dec 2010			Exercise price €	Date from which exercisable (if vested)	Expiry date
	Granted	Exercised	Lapsed	Granted	Exercised	Lapsed			
D V McCann	125,000	-	-	-	125,000	-	0.45	17/03/07	15/03/14
	1,000,000	-	-	-	1,000,000	-	0.925	26/09/10	25/09/17
	1,000,000	-	-	-	1,000,000	-	0.4525	06/09/12	05/09/19
C Bos	500,000	-	-	-	500,000	-	0.925	26/09/10	25/09/17
	600,000	-	-	-	600,000	-	0.4525	06/09/12	05/09/19
T G Murphy	40,000	-	-	40,000	-	-	1.59	25/01/03	24/01/10
	50,000	-	-	-	50,000	-	0.45	17/03/07	15/03/14
	400,000	-	-	-	400,000	-	0.925	26/09/10	25/09/17
	600,000	-	-	-	600,000	-	0.4525	06/09/12	05/09/19
S P Keenan*	20,000	-	-	20,000	-	-	1.59	25/01/03	24/01/10
	35,000	-	-	-	35,000	-	0.45	17/03/07	15/03/14
	200,000	-	-	-	200,000	-	0.925	26/09/10	25/09/17
	200,000	-	-	-	200,000	-	0.4525	06/09/12	05/09/19

\* Company secretary

There have been no movements in the share interests of the directors or company secretary between the year end and 2 March 2011. In addition, the directors and the company secretary have not been granted, nor have they exercised any options between the year end and 2 March 2011.

Options granted under the 1997 Share Option Scheme are only exercisable when the earnings per share figure, in respect of the third or any subsequent accounting period after the end of the basis year (ie accounting period preceding the date of the grant), is greater than the earnings per share figure for the basis year by a percentage which is not less than (on a year on year basis) the annual percentage increase in the consumer price index plus 2% compounded during that period. Options granted under the 2007 Share Option Scheme are exercisable on a similar basis except that the hurdle rate for the required increase in earnings per share is based on the increase in the consumer price index plus 5% compounded.

# Statement of Directors' Responsibilities

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

Company law requires the directors to prepare Group and Company financial statements for each financial year. Under that law and as required by AIM/ESM Rules, the directors are required to prepare the Group financial statements in accordance with IFRS as adopted by the EU and applicable law and have elected to prepare the Company financial statements on the same basis.

The financial statements are required by law and IFRS as adopted by the EU to present fairly the financial position and performance of the Group. The Companies Acts, 1963 to 2009 provide in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation. In addition, the Company financial statements are required by law to give a true and fair view of the state of affairs of the Company.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

Under applicable law, the directors are also responsible for preparing a Directors' Report. The directors are responsible for keeping proper books of account that disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that its financial statements comply with the Companies Acts, 1963 to 2009. They are also responsible for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The directors have decided to prepare voluntarily a Directors' Remuneration Report and a Corporate Governance Statement as if the Group were required to comply with the Listing Rules of the Irish Stock Exchange. The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the Republic of Ireland governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

*On behalf of the Board*

**D V McCann**  
*Executive Chairman*

**T G Murphy**  
*Finance Director*

# Independent Auditor's Report to the Members of Fyffes plc

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We have audited the Group and Company financial statements (the "financial statements") of Fyffes plc for the financial year ended 31 December 2010 which comprise the Group Income Statement, the Group Statement of Comprehensive Income, the Group and Company Statement of Movement in Equity, the Group and Company Balance Sheet, the Group and Company Cash Flow Statements and the related notes. These financial statements have been prepared under the accounting policies set out therein.

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

## **Respective responsibilities of directors and auditor**

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRS) as adopted by the EU are set out in the Statement of Directors' Responsibilities on page 39.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view in accordance with IFRS as adopted by the EU and, in the case of the Company as applied in accordance with the provisions of the Companies Acts, 1963 to 2009, and have been properly prepared in accordance with the Companies Acts, 1963 to 2009. We also report to you whether, in our opinion: proper books of account have been kept by the Company; at the balance sheet date, there exists a financial situation requiring the convening of an extraordinary general meeting of the Company; and the information given in the Directors' Report is consistent with the financial statements. In addition, we state whether we have obtained all the information and explanations necessary for the purposes of our audit, and whether the Company's balance sheet is in agreement with the books of account.

We also report to you if, in our opinion, any information specified by law or under AIM/ESM Rules regarding directors' remuneration and directors' transactions is not disclosed and, where practicable, include such information in our report. We review, at the request of the directors, whether the voluntary statements on pages 26 to 38 reflect the Company's compliance with the nine provisions of the 2008 FRC Combined Code and that the Listing Rules of the Irish Stock Exchange specifies for review by auditors and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Company's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Directors' Report, the Chairman's Statement, the Operating and Financial Review, the Corporate Governance Report, the Audit Committee Report and the Compensation Committee Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

## **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material

# Independent Auditor's Report to the Members of Fyffes plc

(continued)

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## **Basis of audit opinion** (continued)

misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

## **Opinion**

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRS as adopted by the EU, of the state of the Group's affairs as at 31 December 2010 and of its profit for the year then ended;
- the Company financial statements give a true and fair view, in accordance with IFRS as adopted by the EU and as applied in accordance with the provisions of the Companies Acts, 1963 to 2009, of the state of the Company's affairs as at 31 December 2010; and
- the financial statements have been properly prepared in accordance with the Companies Acts, 1963 to 2009.

## **Other Matters**

We have obtained all the information and explanations which we consider necessary for the purposes of our audit. In our opinion proper books of account have been kept by the Company. The Company balance sheet is in agreement with the books of account.

In our opinion, the information given in the directors' report on pages 23 to 25 is consistent with the financial statements.

The net assets of the Company, as stated in the Company balance sheet on page 100 are more than half of the amount of its called-up share capital and, in our opinion, on that basis there did not exist at 31 December 2010 a financial situation which under Section 40 (1) of the Companies (Amendment) Act, 1983 would require the convening of an extraordinary general meeting of the Company.



2 March 2011

Chartered Accountants  
Registered Auditor  
Dublin

# Group Income Statement

for the financial year ended 31 December 2010

		Pre- Balmoral 2010 €'000	Balmoral 2010 €'000	Total 2010 €'000	Pre- exceptional 2009 €'000	Balmoral 2009 €'000	Exceptional (Note 6) 2009 €'000	Total 2009 €'000
Total revenue	1	742,122	-	<b>742,122</b>	726,772	-	-	726,772
Less: Share of revenue of joint ventures		(119,050)	-	<b>(119,050)</b>	(128,669)	-	-	(128,669)
Group revenue	1	623,072	-	<b>623,072</b>	598,103	-	-	598,103
Cost of sales		(552,944)	-	<b>(552,944)</b>	(529,206)	-	-	(529,206)
Gross profit		70,128	-	<b>70,128</b>	68,897	-	-	68,897
Distribution expenses		(23,977)	-	<b>(23,977)</b>	(24,813)	-	-	(24,813)
Administrative expenses		(27,984)	-	<b>(27,984)</b>	(28,695)	-	729	(27,966)
Other operating expenses	3	(3,616)	-	<b>(3,616)</b>	(2,276)	-	(7,127)	(9,403)
Other operating income	2	1,408	-	<b>1,408</b>	1,395	-	9,245	10,640
Share of profit/(loss) of joint ventures after tax	12	1,021	-	<b>1,021</b>	3,083	-	(4,347)	(1,264)
Share of (loss) of associates after tax – Balmoral International Land plc	12	-	(8,255)	<b>(8,255)</b>	-	(27,884)	-	(27,884)
Operating profit/(loss)		16,980	(8,255)	<b>8,725</b>	17,591	(27,884)	(1,500)	(11,793)
Financial income	4			<b>1,092</b>				2,667
Financial expense	4			<b>(1,021)</b>				(2,085)
Profit/(loss) before tax				<b>8,796</b>				(11,211)
Income tax (charge)/credit	7			<b>(1,531)</b>				1,293
Profit/(loss) for the financial year – continuing operations				<b>7,265</b>				(9,918)
<b>Attributable as follows:</b>								
Equity shareholders				<b>7,695</b>				(10,452)
Non-controlling interests	19			<b>(430)</b>				534
				<b>7,265</b>				(9,918)
<b>Earnings/(loss) per ordinary share – cent</b>								
Basic	9			<b>2.24</b>				(3.03)
Fully diluted				<b>2.23</b>				(3.03)

**D V McCann**

Executive Chairman

**T G Murphy**

Finance Director

2 March 2011

# Group Statement of Comprehensive Income

for the financial year ended 31 December 2010

	<i>Notes</i>	<b>2010</b>	2009
		<b>€'000</b>	€'000
<b>Profit/(loss) for the financial year</b>		<b>7,265</b>	(9,918)
<b>Other comprehensive income</b>			
Foreign currency translation effects			
- foreign currency net investments – subsidiaries		<b>4,920</b>	(4,940)
- foreign currency net investments – joint ventures	12	<b>523</b>	(141)
Share of foreign currency movement recognised in associated undertaking	12	<b>(14)</b>	6
Loss in associated undertaking set against revaluation reserves	12	<b>(3,815)</b>	(8,028)
Cash flow hedges			
- total movement in year		<b>4,494</b>	(28,919)
- recycled through income statement		<b>(5,367)</b>	15,305
Deferred portion of effective cash flow hedges		<b>(873)</b>	(13,614)
Deferred tax relating to cash flow hedges net of recycling	24	<b>109</b>	1,702
Actuarial gain/(loss) recognised on defined benefit pension schemes	26	<b>601</b>	(10,395)
Deferred tax movement on defined benefit pension schemes	24	<b>(257)</b>	1,565
Share of joint ventures actuarial (loss) recognised on defined benefit pension schemes		<b>(2,314)</b>	(1,633)
Share of joint ventures deferred tax on actuarial movements on defined benefit schemes		<b>648</b>	457
<b>Total comprehensive income</b>		<b>6,793</b>	(44,939)
<b>Attributable as follows:</b>			
Equity shareholders		<b>7,223</b>	(45,473)
Non-controlling interest	19	<b>(430)</b>	534
<b>Total comprehensive income</b>		<b>6,793</b>	(44,939)

**D V McCann**  
Executive Chairman

**T G Murphy**  
Finance Director

2 March 2011

# Group Statement of Movement in Equity

for the financial year ended 31 December 2010

	Share Capital €000	Share Premium €000	Capital Reserves €000	Share Option Reserve €000	Currency Translation Reserve €000	Revaluation Reserve €000	Own Share Reserve €000	Hedging Reserve €000	Retained Earnings €000	Shareholders' Funds €000	Non-controlling Interests €000	Total Equity €000
Balance at 1 January 2009	21,859	98,999	71,696	1,110	(9,059)	21,406	(23,690)	13,516	6,552	202,389	1,536	203,925
(Loss)/profit for year	-	-	-	-	-	-	-	-	(10,452)	(10,452)	534	(9,918)
Foreign currency translation effects	-	-	-	-	(5,075)	-	-	-	-	(5,075)	-	(5,075)
(incl share of joint ventures)	-	-	-	-	-	-	-	-	-	-	-	-
Loss in associated undertaking set against revaluation reserves	-	-	-	-	-	(8,028)	-	-	-	(8,028)	-	(8,028)
Effective portion of cash flow hedges (net of deferred tax)	-	-	-	-	-	-	-	(11,912)	-	(11,912)	-	(11,912)
Actuarial loss on defined benefit pension schemes (net of deferred tax)	-	-	-	-	-	-	-	-	(8,830)	(8,830)	-	(8,830)
Share of actuarial loss on joint ventures defined benefit schemes (net of deferred tax)	-	-	-	-	-	-	-	-	(1,176)	(1,176)	-	(1,176)
Currency movements in revaluation reserves	-	-	-	-	612	(612)	-	-	-	-	-	-
Realised revaluation reserves	-	-	-	-	-	(739)	-	-	739	-	-	-
Share options exercised	4	-	-	-	-	-	-	-	-	4	-	4
Share based payments	-	-	-	119	-	-	-	-	-	119	-	119
Dividends to shareholders	-	-	-	-	-	-	-	-	(5,352)	(5,352)	-	(5,352)
<b>Balance at 31 December 2009</b>	<b>21,863</b>	<b>98,999</b>	<b>71,696</b>	<b>1,229</b>	<b>(13,522)</b>	<b>12,027</b>	<b>(23,690)</b>	<b>1,604</b>	<b>(18,519)</b>	<b>151,687</b>	<b>2,070</b>	<b>153,757</b>
Profit/(loss) for year	-	-	-	-	-	-	-	-	7,695	7,695	(430)	7,265
Foreign currency translation effects (incl share of joint ventures)	-	-	-	-	5,429	-	-	-	-	5,429	-	5,429
Loss in associated undertaking set against revaluation reserves	-	-	-	-	-	(3,815)	-	-	-	(3,815)	-	(3,815)
Effective portion of cash flow hedges (net of deferred tax)	-	-	-	-	-	-	-	(764)	-	(764)	-	(764)
Actuarial gain on defined benefit pension schemes (net of deferred tax)	-	-	-	-	-	-	-	-	344	344	-	344
Share of actuarial loss on joint ventures defined benefit schemes (net of deferred tax)	-	-	-	-	-	-	-	-	(1,666)	(1,666)	-	(1,666)
Currency movements in revaluation reserves	-	-	-	-	(106)	106	-	-	-	-	-	-
Share options exercised	66	-	-	-	-	-	-	-	-	66	-	66
Share based payments	-	-	-	163	-	-	-	-	-	163	-	163
Dividends to non-controlling interest	-	-	-	-	-	-	-	-	-	-	(762)	(762)
Dividends to shareholders	-	-	-	-	-	-	-	-	(5,702)	(5,702)	-	(5,702)
Own shares acquired	-	-	-	-	-	-	(5,336)	-	-	(5,336)	-	(5,336)
Cancellation of treasury shares	(236)	-	236	-	-	-	8,296	-	(8,296)	-	-	-
<b>Balance at 31 December 2010</b>	<b>21,693</b>	<b>98,999</b>	<b>71,932</b>	<b>1,392</b>	<b>(8,199)</b>	<b>8,318</b>	<b>(20,730)</b>	<b>840</b>	<b>(26,144)</b>	<b>148,101</b>	<b>878</b>	<b>148,979</b>

# Group Balance Sheet

as at 31 December 2010

	Notes	2010 €'000	2009 €'000
<b>Assets</b>			
<b>Non-current</b>			
Property, plant and equipment	10	69,894	64,192
Goodwill and intangible assets	11	20,853	16,595
Other receivables	16	3,252	511
Investments in joint ventures and associates	12	43,014	56,336
Equity investments	13	15	15
Biological assets	15	313	327
Deferred tax assets	24	7,719	7,038
<b>Total non-current assets</b>		<b>145,060</b>	145,014
<b>Current</b>			
Inventories	14	22,882	18,469
Biological assets	15	6,671	5,275
Trade and other receivables	16	58,676	59,182
Corporation tax recoverable		243	637
Hedging instruments	29	1,659	2,149
Short term bank deposits	17	2,480	1,814
Cash and cash equivalents	17	37,560	42,633
<b>Total current assets</b>		<b>130,171</b>	130,159
<b>Total assets</b>		<b>275,231</b>	275,173
<b>Equity</b>			
Called-up share capital		21,693	21,863
Share premium		98,999	98,999
Other reserves	18	53,553	49,344
Retained earnings		(26,144)	(18,519)
<b>Total equity attributable to equity shareholders of Company</b>		<b>148,101</b>	151,687
Non-controlling interest	19	878	2,070
<b>Total equity</b>		<b>148,979</b>	153,757
<b>Liabilities</b>			
<b>Non-current</b>			
Interest bearing loans and borrowings	20	850	660
Other payables	21	1,884	2,029
Provisions	22	19,907	13,231
Corporation tax payable		12,583	12,429
Deferred tax liabilities	24	4,273	3,504
Employee benefits	26	13,829	14,514
<b>Total non-current liabilities</b>		<b>53,326</b>	46,367
<b>Current</b>			
Interest bearing loans and borrowings	20	2,103	7,162
Trade and other payables	21	66,148	63,327
Provisions	22	1,756	1,611
Corporation tax payable		2,220	2,633
Hedging instruments	29	699	316
<b>Total current liabilities</b>		<b>72,926</b>	75,049
<b>Total liabilities</b>		<b>126,252</b>	121,416
<b>Total equity and liabilities</b>		<b>275,231</b>	275,173

**D V McCann**  
Executive Chairman

**T G Murphy**  
Finance Director

2 March 2011

# Group Cash Flow Statement

for the financial year ended 31 December 2010

	Notes	2010 €'000	2009 €'000
<b>Operating activities</b>			
Profit/(loss) for financial year		<b>7,265</b>	(9,918)
<i>Adjustments for:</i>			
Depreciation on property, plant and equipment	10	<b>5,631</b>	4,993
Net (gain)/loss on disposal of property, plant & equipment		<b>(117)</b>	45
Cessation/impairment of investment in melon joint venture		-	287
Impairment of property, plant and equipment	10	-	1,923
Amortisation of intangible assets - subsidiaries	11	<b>3,319</b>	2,005
Equity settled share-based compensation		<b>163</b>	119
Defined benefit pension scheme expense	26	<b>1,670</b>	1,637
Gain on disposal of investment		-	(1)
Contributions to defined benefit pension schemes	26	<b>(2,291)</b>	(7,941)
Onerous contract provision in joint venture	6	-	4,444
(Reduction)/increase in MNOFP liability		<b>(225)</b>	3,774
Payments in connection with MNOFP	22	<b>(742)</b>	(510)
Cumulative currency gains on liquidated subsidiaries and terminated joint venture	6	-	(7,488)
Gain on disposal of property by joint venture	6	-	(529)
Share of (profit) of joint ventures (including amortisation charge)	12	<b>(1,021)</b>	(3,083)
Share of loss of associate – Balmoral	12	<b>8,255</b>	27,884
EU Competition investigation fees	6	-	(297)
Movement in trade and other receivables		<b>1,023</b>	(2,433)
Movement in trade and other payables		<b>316</b>	1,626
Movement in inventories / biological assets		<b>(4,756)</b>	(348)
Income tax charge/(credit)	7	<b>1,531</b>	(1,293)
Income tax (paid) (net)		<b>(1,376)</b>	(2,000)
Interest income	4	<b>(1,092)</b>	(2,667)
Interest expense	4	<b>1,021</b>	2,085
Interest received		<b>737</b>	3,512
Interest paid		<b>(453)</b>	(1,424)
<b>Cash inflow from operating activities</b>		<b>18,858</b>	14,402
<b>Investing activities</b>			
Acquisition of subsidiaries (net of cash acquired)	25	-	(1,326)
Loans repaid by joint ventures	12	-	4,029
Dividend paid by joint venture	12	<b>1,116</b>	4,194
Payment of deferred acquisition consideration	22	<b>(886)</b>	-
Acquisition of property, plant and equipment		<b>(6,036)</b>	(10,356)
Proceeds from disposal of property, plant and equipment		<b>282</b>	220
Proceeds on disposal of investments		-	2
<b>Net cash (outflow) from investing activities</b>		<b>(5,524)</b>	(3,237)

# Group Cash Flow Statement

for the financial year ended 31 December 2010 (continued)

	<i>Notes</i>	<b>2010</b>	2009
		<b>€'000</b>	€'000
<b>Financing activities</b>			
Proceeds from the issue of share capital		<b>66</b>	4
Purchase of own shares		<b>(5,336)</b>	-
Proceeds from borrowings		-	169
Repayment of borrowings		<b>(51)</b>	(61,217)
Capital element of lease payments	17	<b>(716)</b>	(369)
Dividends paid to non-controlling interest	19	<b>(762)</b>	-
Dividends to Company equity shareholders	8	<b>(5,702)</b>	(5,352)
<b>Cash (outflow) from financing activities</b>		<b>(12,501)</b>	(66,765)
Net increase/(decrease) in cash and cash equivalents		<b>833</b>	(55,600)
Cash and cash equivalents, incl. bank overdrafts at beginning of year		<b>35,721</b>	65,704
Transfer (to)/from short term deposits	17	<b>(666)</b>	25,512
Effect of exchange rate fluctuations on cash and cash equivalents	17	<b>376</b>	105
<b>Cash and cash equivalents, incl bank overdrafts at end of year</b>	17	<b>36,264</b>	35,721

# Group Reconciliation of Net Funds

for the financial year ended 31 December 2010

	<i>Notes</i>	<b>2010</b>	2009
		<b>€'000</b>	€'000
Net increase/(decrease) in cash and cash equivalents		<b>833</b>	(55,600)
Proceeds from new borrowings		-	(169)
Repayment of borrowings		<b>51</b>	61,217
Capital element of lease payments	17	<b>716</b>	369
New finance leases	17	<b>(1,444)</b>	-
Acquisition of subsidiary – debt acquired	25	-	(1,719)
Foreign exchange movement	17	<b>306</b>	300
Movement in net funds		<b>462</b>	4,398
Net funds at beginning of year		<b>36,625</b>	32,227
<b>Net funds at end of year</b>	17	<b>37,087</b>	36,625

# Significant Accounting Policies

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Fyffes plc (the "Company") is tax resident and incorporated in Ireland. The Group's financial statements for the financial year ended 31 December 2010 consolidate the individual financial statements of the Company and its subsidiaries (together referred to as "the Group") and show the Group's interest in its joint ventures and associates using the equity method of accounting.

The individual and Group financial statements of the Company were authorised for issue by the directors on 2 March 2011. The accounting policies applied consistently in the preparation of the financial statements for the financial year ended 31 December 2010 are set out below.

## Statement of compliance

As permitted by European Union (EU) law, the Group financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and their interpretations issued by the International Accounting Standards Board (IASB) as adopted by the EU. The individual financial statements of the Company ("Company financial statements") have been prepared in accordance with IFRS as adopted by the EU and as applied in accordance with the Companies Acts 1963 to 2009 which permits a company that publishes its Company and Group financial statements together, to take advantage of the exemption in Section 148(8) of the Companies Act 1963 from presenting to its members its Company income statement and related notes that form part of the approved Company financial statements.

The IFRS adopted by the EU applied by the Company and Group in the preparation of these financial statements are those that were effective for accounting periods ending on or before 31 December 2010.

## Basis of preparation

The Group and individual financial statements of the Company are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: property, derivative financial instruments, certain financial assets, share based payments at grant date and biological assets. In addition, the assets and liabilities in the Group's defined benefit pension scheme are valued in accordance with the retirement benefits accounting policy on pages 53 and 54. The accounting policies have been applied consistently for all periods presented and by all Group entities. The financial statements are presented in Euro, the Company's functional currency, rounded to the nearest thousand.

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRS that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 30.

# Significant Accounting Policies *(continued)*

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## Accounting for subsidiaries, joint ventures and associates

### **Group financial statements**

#### ***Subsidiaries***

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

Intragroup balances and any unrealised gains and losses or income and expenses arising from intragroup transactions are eliminated in preparing the Group financial statements, except to the extent they provide evidence of impairment.

#### ***Joint ventures and associates***

Joint ventures are those entities over which the Group exercises control jointly, under a contractual agreement, with one or more parties. Investments in joint ventures are accounted for under the equity method of accounting. Associates are those entities in which the Group has significant influence over, but not control of the financial and operating policies. Investments in associates are accounted for under the equity method of accounting.

Under the equity method of accounting, the Group's share of the post-acquisition profits or losses of its joint ventures and associates are recognised in the Group income statement. The income statement reflects in profit before tax, the Group's share of profit after tax of its joint ventures and associates in accordance with IAS 31 *Interests in Joint Ventures* and IAS 28, *Investments in Associates*. The Group's interest in their net assets is included as investments in joint ventures and associates in the Group balance sheet at an amount representing the Group's share of the fair value of the identifiable net assets at acquisition plus the Group's share of post acquisition retained income and expenses. The Group's investment in joint ventures and associates includes goodwill on acquisition. The amounts included in these financial statements in respect of the post acquisition income and expenses of joint ventures and associates are taken from their latest financial statements prepared up to their respective year ends together with management accounts for the intervening periods to the period end, where necessary, although all significant joint ventures and associates have coterminous financial year ends. Where necessary, the accounting policies of joint ventures and associates have been changed to ensure consistency with the policies adopted by the Group.

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

#### ***Company financial statements***

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

## Significant Accounting Policies *(continued)*

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### Property, plant and equipment

Property is recognised at fair value with the increase in the value of the property reflected in revaluation gains in the statement of comprehensive income. The fair value is based on market value, being the estimated amount for which a property could be exchanged in an arms length transaction.

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

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

- Freehold properties: 30-50 years.
- Leasehold improvements: Over the lesser of 40 years or the unexpired portion of the lease.
- Plant and equipment: 5-20 years.
- Motor vehicles: 5 years.

The residual value of assets, if not significant, and the useful life of assets, is reassessed annually.

Gains and losses on disposal of property, plant and equipment are recognised on the ultimate completion of sale. Gains and losses on disposals are determined by comparing the proceeds received with the carrying amount and are included in operating profit.

### Inventories

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

### Foreign currency

Transactions in foreign currencies are translated into the functional currency of the entity at the foreign exchange rate ruling at the date of the transaction. Non-monetary assets carried at historic cost are not subsequently retranslated. Non-monetary assets carried at fair value are subsequently remeasured at the exchange rate at the date of valuation. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into functional currencies at the foreign exchange rate ruling at that date. Foreign exchange movements arising on translation are recognised in the income statement.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to Euro at the foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated to Euro at the average exchange rate for the financial period. Foreign exchange movements arising on translation of the net investment in a foreign operation, including those arising on long term intra Group loans deemed to be quasi equity in nature, are recognised directly in equity, in the currency translation reserve.

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

## Significant Accounting Policies *(continued)*

### Business combinations

The purchase method of accounting is employed in accounting for the acquisition of subsidiaries, joint ventures and associates by the Group.

The cost of a business combination is measured as the aggregate of the fair values at the date of exchange of assets given, liabilities incurred or assumed and equity instruments issued in exchange for control together with any directly attributable costs. Where a business combination agreement provides for an adjustment to the cost of the combination contingent on future events, the amount of the estimated adjustment is included in the cost at the acquisition date if the adjustment can be reliably measured. Any changes to this estimate in subsequent periods are reflected in goodwill. Deferred consideration is included in the acquisition balance sheet on a discounted basis.

The assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. In the case of a business combination which is completed in stages, the fair values of the identifiable assets, liabilities and contingent liabilities are determined at the date of each exchange transaction.

When the initial accounting for a business combination is determined provisionally, any adjustments to the provisional values allocated to the identifiable assets, liabilities and contingent liabilities are made within twelve months of the acquisition date.

The interest of non-controlling shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognised. Subsequently, any losses applicable to the minority in excess of the non-controlling interest are allocated against the interests of the parent.

### Acquisitions on or after 1 January 2010

From 1 January 2010 the Group has applied IFRS 3 *Business Combinations (2008)* in accounting for business combinations. The change in accounting policy has been applied prospectively and has had no material impact on earnings per share.

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

For acquisitions on or after 1 January 2010, the Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

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

The consideration transferred does not include amounts related to the settlement of the pre-existing relationships. Such amounts are generally recognised in profit or loss.

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

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

## Significant Accounting Policies *(continued)*

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### Leased assets

Assets held under leasing arrangements that substantially transfer all the risks and rewards of ownership (finance leases) to the Group are included in the balance sheet as tangible fixed assets at cost less accumulated depreciation and the capital element of future rentals is treated as a liability. The interest element is charged to the income statement over the period of the finance lease, in proportion to the balance of capital requirements outstanding. Rental costs in respect of all other leases are charged to the income statement as incurred.

### Goodwill

Goodwill represents amounts arising on acquisition of subsidiaries, joint ventures and associates. In respect of business acquisitions that have occurred between 1 January 2004 and 1 January 2010, goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired. Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurred in connection with business combinations prior to 1 January 2010 were capitalised as part of the cost of the acquisition. In respect of acquisitions prior to this date, goodwill is included on the basis of its deemed cost, ie original cost less accumulated amortisation since acquisition up to 31 December 2003, which represents the amount recorded under Irish GAAP. The Group elected under IFRS 1, at the date of transition to IFRS, not to apply IFRS 3, *Business Combinations* to previous transactions and therefore the reclassification and accounting treatment of business combinations that occurred prior to 1 January 2004 was not reconsidered in preparing the Group's opening IFRS balance sheet at 1 January 2004. For acquisitions after 1 January 2010, the Group measures goodwill at the acquisition date as the fair value of the consideration transferred; plus the recognised amount of any non-controlling interests in the acquiree; plus if the business combination is achieved in stages, the fair value of the existing equity in the acquiree; less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed. The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss. Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred. Goodwill is allocated to cash generating units and is not amortised but is tested annually for impairment at a consistent time each year. Goodwill is now stated at cost or deemed cost less any accumulated impairment losses. In respect of joint ventures and associates, the carrying amount of goodwill is included in the carrying amount of the investment.

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

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

### Intangible assets

Trademarks are carried at historic cost. The directors are of the opinion that the Fyffes trademark has an indefinite useful life and therefore it is not amortised, but subject to annual impairment testing. Other identifiable intangible assets that are acquired by the Group are stated at cost except for those arising on a business combination which are measured at fair value on initial recognition less accumulated amortisation and impairment losses, when separable or arising from contractual or other legal rights and reliably measurable.

Amortisation is expensed in the income statement on a straight line basis over the estimated useful lives of intangible assets, unless such lives are indefinite, from the date they are available for use. Intangible assets, mainly reflecting the value of customer relationships which arise on acquisitions, are amortised over their useful lives ranging from one to six years.

## Significant Accounting Policies *(continued)*

### **Impairment of non-financial assets**

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

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

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

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

### **Employee benefits**

#### ***Short term employee benefits***

Short term employee benefits are measured on an undiscounted basis and are recognised as expenses as the related employee service is received.

#### ***Retirement benefits obligations – Group financial statements***

Obligations for contributions to defined contribution pension schemes are recognised as an expense in the income statement as services from employees are received. Under such schemes, the Group has no obligation to make further contributions to these schemes beyond the contracted amounts. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available. The defined benefit pension asset or liability in the Group balance sheet comprises the total for each plan of the present value of the defined benefit obligation less any past service cost not yet recognised and less the fair value of plan assets (measured at bid value) out of which the obligations are to be settled directly.

The liabilities and costs associated with the Group's defined benefit pension schemes are assessed on the basis of the projected unit credit method by professionally qualified actuaries and are arrived at using actuarial assumptions based on market expectations at the balance sheet date. The discount rates employed in determining the present value of the schemes' liabilities are determined by reference to market yields at the balance sheet date on high-quality corporate bonds of a currency and term consistent with the currency and term of the associated post-employment benefit obligations. The expected increase in the present value of scheme liabilities arising from employee service in the current or prior periods is recognised in arriving at operating profit or loss together with the expected returns on the schemes' assets and the increase during the period in the present value of the schemes' liabilities arising from the passage of time. Differences between the expected and the actual return on plan assets, together with the effect of changes in the current or prior year assumptions underlying the liabilities are recognised in the statement of comprehensive income.

When the benefits of a defined benefit scheme are improved, the portion of the increased benefit relating to past service by employees is recognised as an expense in the income statement on a straight-line basis over the average period until the benefits

## Significant Accounting Policies *(continued)*

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### **Employee benefits** *(continued)*

become vested. To the extent that the enhanced benefits vest immediately, the related expense is recognised immediately in the income statement. Settlements and curtailments trigger immediate recognition of the consequent change in obligations and related assets in the income statement together with any previously unrecognised past service costs that relate to the obligations being settled or curtailed.

### **Retirement benefit obligations – Company financial statements**

The Company is not the sponsoring employer for any of the Group's defined benefit pension schemes. The employees of the Company are members of different defined benefit pension schemes operating within the Group. There is no stated policy within the Group in relation to the obligations of Group companies to contribute to scheme deficits. Group companies make contributions to the schemes as requested by the sponsoring employers. Consequently, the Company accounts for its contributions to defined benefit pension schemes on a defined contribution basis.

### **Share based payment**

The fair value of options granted under the Group's equity settled share option scheme is recognised as an expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using a binomial lattice model, taking into account the terms and conditions upon which the options were granted. Vesting conditions are non-market and consequently the amount recognised as an expense is adjusted to reflect the actual number of share options that vest. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when vested convertible shares are converted into ordinary shares.

To the extent that the Group receives a tax deduction relating to the services paid in shares, deferred tax in respect of share options is provided on the basis of the difference between the expected fair value of the underlying equity as at the date the instrument is expected to be exercised and the exercise price of the option; as a result, the deferred tax impact of share options will not directly correlate with the expense reported in the Group income statement.

The Group has no cash-settled share-based payment transactions as defined in IFRS 2.

### **Biological assets**

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

### **Taxation**

Taxation on the profit or loss for the year comprises current and deferred tax. Taxation is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case the related tax is recognised in equity. Current tax is the expected tax payable on the taxable income for the year, using tax rates and laws that have been enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. If the temporary difference arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction does not affect accounting nor taxable profit or loss, it is not recognised. Deferred tax is provided on temporary differences arising on investments in subsidiaries, joint ventures and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future or where no taxation is expected to arise on any ultimate remittance. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

# Significant Accounting Policies *(continued)*

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## **Provisions**

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, 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, where appropriate, the risks specific to the liability.

## **Cash and cash equivalents**

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

## **Share capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

## **Financial instruments**

### ***Trade and other receivables***

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

### ***Trade and other payables***

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

### ***Short term bank deposits***

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

### ***Equity investments***

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

### ***Derivative financial instruments***

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

## Significant Accounting Policies *(continued)*

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### **Interest bearing borrowings**

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

### **Revenue**

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

### **Finance income and costs**

Finance income comprises interest income on funds invested, foreign currency gains and dividend income on financial assets. Interest income is recognised as it accrues using the effective interest method. Finance costs comprise interest expense on borrowings, unwinding the discount on provisions, foreign currency losses and borrowing extinguishment costs. All finance costs are recognised in profit or loss using the effective interest method.

### **Exceptional items**

The Group has adopted an income statement format which seeks to highlight significant items within its results for the year. The Group believes that this presentation provides a more helpful analysis as it highlights one off items. Such items may include significant restructuring costs, profit or loss on disposal or termination of operations, litigation costs and settlements, profit or loss on disposal of investments and significant impairment of assets. Judgement is used by the Group in assessing the particular items, which by virtue of their scale and nature, should be disclosed in the income statement and related notes as exceptional items.

### **Forthcoming requirements**

There are a number of forthcoming requirements of IFRS as adopted by the EU which are not yet effective and have therefore not been adopted in these financial statements.

These new standards and interpretations, which are effective from the beginning of the periods outlined below, and which have not been adopted in these financial statements include:

- IAS 24 Revised: Related party transactions (1 January 2011)
- IFRIC 19: Extinguishing Financial Liabilities with Equity Instruments (1 July 2010)
- IAS 32 Amendment: Classification of Rights Issues (1 February 2010)
- IFRIC 14 Amendment: Prepayment of a Minimum Funding Requirement relating to IAS 19 (1 January 2011)

These new standards and interpretations are not expected to have a material impact on the Group's or Company's financial statements.

# Notes to the Group Financial Statements

for the financial year ended 31 December 2010

## 1. Segment reporting

### Approach to segment reporting

Segment information is presented below in accordance with IFRS 8 *Operating Segments*. IFRS 8 requires segment information to be presented in the format reviewed by the Chief Operating Decision Maker ('CODM') of the Group. In Fyffes, this function is carried out by the executive director team comprising the Executive Chairman, the Chief Operating Officer and the Finance Director.

Fyffes is currently organised into two separate operating divisions – its Tropical Produce activities and its Property activities, which comprises its 40% investment in Balmoral International Land plc ('Balmoral') (formerly Blackrock International Land plc). Until 2006, Fyffes operated three separate divisions. Its Property division was demerged into Balmoral in May 2006, with Fyffes retaining a 40% shareholding. Its General Produce division was demerged into Total Produce plc in December 2006.

Fyffes' Tropical Produce division is a fully integrated distributor of tropical fresh produce, comprising three product categories - bananas, pineapples and melons, with bananas being by far the largest category both in terms of revenues and profits. The primary activities of this division include the production, procurement, shipping, ripening, distribution and marketing of these products. They are produced in broadly the same geographic areas and distributed to the Group's customers in Europe and the US. Fyffes directly farms some of the produce it distributes, particularly in the pineapple and melon categories. The procurement, shipping, distribution and marketing activities for the banana and pineapple categories are managed centrally on a combined basis. As a result, the Group's Tropical Produce activities are regarded as a single reporting segment for the purposes of IFRS 8.

The CODM reviews the performance of the Tropical Produce division based on Adjusted EBITA which is believed to be the most appropriate measure of underlying performance. Adjusted EBITA is operating profit, excluding amortisation charges on intangible assets and exceptional items. It includes the Group's share of the results of its joint ventures on a similar basis, in contrast to the requirement under IFRS to report joint ventures results after interest charges and tax. The operating performance of the Tropical Produce division is analysed in the Operating and Financial Review, on pages 10 to 19, based on this Adjusted EBITA measure and including comments on the factors reflected in the performance of each of the three product categories in the division.

The Group's share of Balmoral's result is reported separately below, based on its published preliminary results which are reviewed by the CODM when published. Balmoral's results are presented based on equity accounting rules, net of interest charges and tax. Balmoral's results reflect the fair value adjustments arising from the most up to date valuations of its properties.

The only inter-segment transactions between the Group's Tropical Produce division and Balmoral arise because Fyffes rents a number of its distribution centres in the UK and Ireland from Balmoral. Fyffes in turn sublets space in its corporate head office to Balmoral. These amounts are included in the operating lease disclosures in Note 23 and the related party disclosures in Note 28.

In the analysis below, reconciling items included in Adjusted EBITA represent central costs not allocated to the operating divisions including the cost of the Board of directors together with legal and other costs connected with the corporate head office of the Group. Similarly, reconciling items included in exceptional items are matters dealt with at corporate level, including legal matters such as litigation, the MNOPI liability and the EU Competition investigation.

# Notes to the Group Financial Statements

for the financial year ended 31 December 2010

## 1. Segment reporting (continued)

	Tropical		Reconciling		Tropical		Reconciling	
	Produce	Balmoral	Items	Total	Produce	Balmoral	Items	Total
	2010	2010	2010	2010	2009	2009	2009	2009
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
<b>Segment income statement</b>								
Total revenue including share of joint ventures	742,122	-	-	<b>742,122</b>	726,772	-	-	726,772
Group revenue excluding share of joint ventures	623,072	-	-	<b>623,072</b>	598,103	-	-	598,103
<b>Adjusted EBITA</b>	23,418	-	(2,122)	<b>21,296</b>	24,183	-	(3,464)	20,719
<i>Net financial income</i>								
Share of joint ventures interest (expense)	(72)	-	-	<b>(72)</b>	(52)	-	-	(52)
Net financial income in subsidiaries	71	-	-	<b>71</b>	582	-	-	582
<b>Adjusted profit before tax</b>	23,417	-	(2,122)	<b>21,295</b>	24,713	-	(3,464)	21,249
<i>Reconciliation to statutory financial statements</i>								
Share of Balmoral's loss after tax	-	(8,255)	-	<b>(8,255)</b>	-	(27,884)	-	(27,884)
Share of joint ventures tax (credit)	132	-	-	<b>132</b>	284	-	-	284
Amortisation – subsidiaries	(3,319)	-	-	<b>(3,319)</b>	(2,005)	-	-	(2,005)
Amortisation – joint ventures	(1,057)	-	-	<b>(1,057)</b>	(1,355)	-	-	(1,355)
Exceptional items	-	-	-	<b>-</b>	(5,511)	-	4,011	(1,500)
Profit/(loss) before tax per income statement	19,173	(8,255)	(2,122)	<b>8,796</b>	16,126	(27,884)	547	(11,211)
Income tax (charge)/credit				<b>(1,531)</b>				1,293
<b>Retained profit/(loss)</b>				<b>7,265</b>				(9,918)

# Notes to the Group Financial Statements

for the financial year ended 31 December 2010

## 1. Segment reporting (continued)

	Tropical Produce			Tropical Produce		
	Balmoral	Total	Balmoral	Total		
	2010	2010	2009	2009		
	€'000	€'000	€'000	€'000	€'000	€'000
<b>Other disclosures</b>						
<b>Income statement items</b>						
Adjusted EBITA – share of joint ventures	2,018	-	<b>2,018</b>	4,206	-	4,206
Joint ventures profit before exceptional items	1,021	-	<b>1,021</b>	3,083	-	3,083
Depreciation	5,631	-	<b>5,631</b>	4,993	-	4,993
<b>Exceptional items</b>						
Onerous shipping contract provision in joint venture	-	-	-	(4,444)	-	(4,444)
Cessation/impairment of melon joint venture	-	-	-	(1,596)	-	(1,596)
Gain on disposal of property by joint venture	-	-	-	529	-	529
<b>Balance sheet disclosures</b>						
Segment assets	232,217	-	<b>232,217</b>	218,837	-	218,837
Investment in joint ventures and associates	31,027	11,987	<b>43,014</b>	32,265	24,071	56,336
	263,244	11,987	<b>275,231</b>	251,102	24,071	275,173
Segment liabilities	126,252	-	<b>126,252</b>	121,416	-	121,416

## Geographical analysis of revenue – Tropical Produce division

	Ireland	UK	Eurozone	Other	Total
	2010	2010	2010	2010	2010
	€'000	€'000	€'000	€'000	€'000
Total revenue including share of joint ventures	41,007	279,209	275,869	146,037	<b>742,122</b>
Group revenue	41,007	251,354	235,812	94,899	<b>623,072</b>
Current assets	40,663	44,738	17,028	27,742	<b>130,171</b>
Non current assets	15,303	24,623	27,696	77,438	<b>145,060</b>
	Ireland	UK	Eurozone	Other	Total
	2009	2009	2009	2009	2009
	€'000	€'000	€'000	€'000	€'000
Total revenue including share of joint ventures	40,232	288,279	256,656	141,605	726,772
Group revenue	40,232	260,599	215,158	82,114	598,103
Current assets	56,981	32,712	18,857	21,609	130,159
Non current assets	32,454	21,206	26,172	65,182	145,014

The Group trades with various subsidiary companies of Total Produce plc throughout Europe. The combined sales to the Total Produce Group exceed 10% of Fyffes' Group revenue in both 2009 and 2010. Fyffes has no other customers which account for more than 10% of Group revenue.

# Notes to the Group Financial Statements

for the financial year ended 31 December 2010

## 2. Other operating income

	2010 €'000	2009 €'000
Sub-lease income net of related expenses	797	775
Gain on disposal of property, plant and equipment	117	88
Foreign exchange gain	112	412
Other	382	120
	<b>1,408</b>	1,395
<i>Exceptional items in other operating income (note 6)</i>		
Cumulative foreign currency gains on liquidated subsidiaries	-	9,245
	<b>1,408</b>	10,640

## 3. Other operating expenses

	2010 €'000	2009 €'000
Amortisation of intangible assets – subsidiaries (note 11)	<b>(3,319)</b>	(2,005)
Foreign exchange losses	<b>(89)</b>	(114)
Ineffective portion of cash flow hedges	<b>(208)</b>	(24)
Loss on disposal of property, plant and equipment	-	(133)
	<b>(3,616)</b>	(2,276)
<i>Exceptional items in other operating expenses (note 6)</i>		
Cumulative foreign currency losses on terminated joint venture	-	(1,757)
Increase in MNOPF liability	-	(3,774)
Costs incurred in terminated joint venture	-	(1,596)
	<b>(3,616)</b>	(9,403)

## 4. Financial income and expense

	2010 €'000	2009 €'000
Interest income	673	2,093
Other financial income	419	574
<b>Financial income</b>	<b>1,092</b>	2,667
Interest expense on interest bearing borrowings	<b>(132)</b>	(825)
Other interest expense	<b>(889)</b>	(1,260)
<b>Financial expense</b>	<b>(1,021)</b>	(2,085)
<b>Net financial income (related to items not at fair value through profit and loss)</b>	<b>71</b>	582

# Notes to the Group Financial Statements

for the financial year ended 31 December 2010

## 5. Statutory and other information

	2010	2009
	€'000	€'000
Depreciation of property, plant and equipment		
- Owned assets	5,367	4,806
- Leased assets	264	187
Amortisation of intangible assets		
- Subsidiaries	3,319	2,005
- Joint ventures and associates	1,057	1,355
Auditor's remuneration:		
- Audit services	237	256
- Taxation services	127	347
- Other assurance services	-	13
- Other non-audit services	32	28
Operating lease rentals		
- Plant and equipment	2,069	2,159
- Other	2,667	2,609

Details of directors' remuneration, pension entitlements and interests in share options are set out in the compensation committee report on pages 34 to 38.

## 6. Exceptional items

	2010	2009
	€'000	€'000
Cumulative currency gains on liquidation / termination of subsidiaries and joint venture	-	7,488
Onerous shipping contract provision in joint venture	-	(4,444)
Merchant Navy Officers Pension Fund (MNOFF)	-	(3,774)
Cessation of activities in Brazilian melon joint venture	-	(1,596)
Gain in joint venture on disposal of property	-	529
Costs related to EU Competition investigation in:		
- subsidiaries	-	729
- joint venture	-	(432)
<b>Total exceptional items per income statement</b>	-	(1,500)

In 2009, the Group recognised an exceptional gain as a result of the recycling through the income statement of cumulative currency gains of €7.5 million on disposal, liquidation and termination of non-trading businesses. As further explained in note 22, the Group's liability to the MNOFF increased by €3.8 million in 2009 following the most recent actuarial review of that scheme. The Group's share of an onerous shipping contract provision in its Geest joint venture amounted to €4.4 million in 2009. The Group also recognised a gain of €0.5 million on disposal by Geest of one of its properties. The Group incurred costs in 2009 of €1.6 million as a result of the cessation of activities in its former Brazilian melon joint venture. The net tax impact of these exceptional items in 2009 was a credit of €3.2 million.

# Notes to the Group Financial Statements

for the financial year ended 31 December 2010

## 7. Income tax

	2010		2009	
	€'000		€'000	
<b>Recognised in the income statement</b>				
<b><i>Ireland</i></b>				
Corporation tax on profit for the year	1,417		1,026	
Adjustment in respect of prior years	184		(1,060)	
	<b>1,601</b>		<b>(34)</b>	
<b><i>Overseas</i></b>				
Current year tax on profit for the year	1,502		651	
Adjustment in respect of prior years	(1,592)		176	
	<b>(90)</b>		<b>827</b>	
<b>Total current tax</b>	<b>1,511</b>		<b>793</b>	
<b>Deferred tax charge/(credit)</b>				
Origination and reversal of temporary differences	(1,369)		(2,650)	
Reduction in tax rates	42		-	
Adjustment in respect of prior year	1,347		564	
<b>Total deferred tax</b>	<b>20</b>		<b>(2,086)</b>	
<b>Income tax charge/(credit)</b>	<b>1,531</b>		<b>(1,293)</b>	
<b>Deferred tax recognised directly in equity</b>				
Employee benefit schemes	257		(1,565)	
Derivative financial instruments	(109)		(1,702)	
<b>Total deferred tax in statement of comprehensive income</b>	<b>148</b>		<b>(3,267)</b>	
	2010	2010	2009	2009
	%	€'000	%	€'000
<b>Reconciliation of effective tax rate</b>				
Profit/(loss) on ordinary activities before tax		8,796		(11,211)
Taxation based on Irish Corporation tax rate of 12.5%	12.50	1,100	12.50	(1,401)
<i>Effects of:</i>				
Expenses not deductible for tax purposes	12.30	1,082	(5.00)	561
Tax effect on profits of associates and joint ventures	10.28	904	(32.49)	3,643
Differences in tax rates	(5.89)	(518)	7.06	(792)
Adjustments to prior years	(0.68)	(60)	2.85	(320)
Previously unrecognised deferred tax movements	(10.89)	(958)	8.03	(900)
Non taxable gains	-	-	18.40	(2,063)
Other items	(0.22)	(19)	0.19	(21)
<b>Total income tax charge/(credit) in income statement</b>	<b>17.41</b>	<b>1,531</b>	<b>11.53</b>	<b>(1,293)</b>

# Notes to the Group Financial Statements

for the financial year ended 31 December 2010

## 8. Dividends to equity shareholders

Interim dividends to equity shareholders in Fyffes plc are recognised when the interim dividend is paid by the Company. The final dividend in respect of a financial year is recognised when the dividend has been approved by the Company's shareholders. During the financial year, the following dividends were recognised.

	<b>2010</b>	<b>2010</b>	2009	2009
	<b>€ cent</b>	<b>€'000</b>	€ cent	€'000
	<b>per share</b>		per share	
Interim dividend for 2010 (2009)	<b>0.55</b>	<b>1,901</b>	0.55	1,899
Final dividend for 2009 (2008)	<b>1.10</b>	<b>3,801</b>	1.00	3,453
<b>Total distributions to shareholders</b>	<b>1.65</b>	<b>5,702</b>	1.55	5,352

The directors have proposed a final dividend in respect of the 2010 financial year of 1.2 cent per ordinary share (2009: 1.1 cent). This dividend has not been provided for in the Company or Group balance sheet. The final dividend is subject to approval by the Company's shareholders at the Annual General Meeting.

## 9. Earnings per share

### Basic earnings per share

The calculation of basic earnings per share for the financial year ended 31 December 2010 is based on the profit for the financial year attributable to ordinary shareholders of €7,695,000 (2009: loss of €10,452,000) divided by the weighted average number of ordinary shares outstanding during the year ended 31 December 2010 of 343,756,000 (2009: 345,312,000) calculated as follows:

	<b>2010</b>	2009
	<b>€'000</b>	€'000
<b>Profit/(loss) for financial year attributable to shareholders</b>	<b>7,695</b>	(10,452)
	<b>'000</b>	<b>'000</b>
Issued ordinary shares at start of year	<b>364,391</b>	364,319
Effect of own shares held	<b>(20,843)</b>	(19,022)
Effect of shares issued	<b>208</b>	15
Weighted average number of ordinary shares for year	<b>343,756</b>	345,312
<b>Basic earnings/(loss) per share - € cent</b>	<b>2.24</b>	(3.03)

# Notes to the Group Financial Statements

for the financial year ended 31 December 2010

## 9. Earnings per share (continued)

### Diluted earnings per share

The calculation of diluted earnings per share for the financial year ended 31 December 2010 is based on the profit attributable to ordinary shareholders of €7,695,000 (2009: loss of €10,452,000) divided by the weighted average number of ordinary shares and options with a dilutive effect outstanding during the year of 344,636,000 (2009: 346,397,000) calculated as follows:

	2010 €'000	2009 €'000
<b>Profit/(loss) for financial year attributable to equity shareholders</b>	<b>7,695</b>	(10,452)
	<b>'000</b>	<b>'000</b>
Weighted average number of ordinary shares for year	<b>343,756</b>	345,312
Effect of share options with a dilutive effect	<b>880</b>	1,085
Weighted average number of ordinary shares (diluted) for year	<b>344,636</b>	346,397
<b>Diluted earnings/(loss) per share - € cent</b>	<b>2.23</b>	(3.03)*

\* Share options would have an anti-dilutive effect on the earnings per share calculation in 2009 and, as a result, the diluted loss per share is the same as the basic loss per share for the year.

### Adjusted fully diluted earnings per share

	2010 €'000	2010 € cent	2009 €'000	2009 € cent
Profit/(loss) for financial year attributable to equity shareholders	<b>7,695</b>	<b>2.24</b>	(10,452)	(3.03)
<i>Adjustments</i>				
Cessation / impairment of Brazilian melon joint venture	-	-	1,596	0.46
Costs related to EU Competition investigation including share of joint venture	-	-	(297)	(0.09)
Currency gains on liquidation / termination of subsidiaries and joint ventures	-	-	(7,488)	(2.17)
Gain in joint venture on property disposal	-	-	(529)	(0.15)
Onerous shipping contract provision in joint venture	-	-	4,444	1.29
Merchant Navy Officers Pension Fund (MNOFF)	-	-	3,774	1.09
Amortisation of intangible assets	<b>4,376</b>	<b>1.27</b>	3,360	0.97
Share of loss of Balmoral International Land plc	<b>8,255</b>	<b>2.40</b>	27,884	8.08
Tax impact of exceptional items	-	-	(3,225)	(0.93)
Tax impact of amortisation charges	<b>(1,369)</b>	<b>(0.40)</b>	(1,087)	(0.31)
Impact on earnings of dilutive share options	-	<b>(0.01)</b>	-	(0.02)
<b>Adjusted fully diluted earnings</b>	<b>18,957</b>	<b>5.50</b>	17,980	5.19

# Notes to the Group Financial Statements

for the financial year ended 31 December 2010

## 10. Property, plant and equipment

	Land and Buildings €'000	Plant and Equipment €'000	Motor Vehicles €'000	Total €'000
<b>Cost or valuation</b>				
Balance at 1 January 2009	36,260	18,296	2,281	56,837
Additions	6,206	2,722	1,428	10,356
Arising from business combinations (note 25)	5,593	2,851	22	8,466
Disposals	-	(1,724)	(470)	(2,194)
Foreign exchange movement	(620)	2,357	96	1,833
Balance at 31 December 2009	47,439	24,502	3,357	75,298
Additions	2,260	4,544	652	7,456
Reclassifications	(861)	1,198	(337)	-
Disposals	-	(384)	(1,096)	(1,480)
Foreign exchange movement	3,133	1,863	235	5,231
<b>Balance at 31 December 2010</b>	<b>51,971</b>	<b>31,723</b>	<b>2,811</b>	<b>86,505</b>
<b>Depreciation and impairment losses</b>				
Balance at 1 January 2009	513	3,046	460	4,019
Depreciation charge for the year	723	3,508	762	4,993
Impairment charges	1,896	27	-	1,923
Arising on business combinations (note 25)	83	827	-	910
Disposals	-	(1,593)	(336)	(1,929)
Foreign exchange movement	(48)	1,188	50	1,190
Balance at 31 December 2009	3,167	7,003	936	11,106
Depreciation charge for the year	800	4,104	727	5,631
Reclassifications	-	(31)	31	-
Disposals	-	(379)	(936)	(1,315)
Foreign exchange movement	245	839	105	1,189
<b>Balance at 31 December 2010</b>	<b>4,212</b>	<b>11,536</b>	<b>863</b>	<b>16,611</b>
<b>Carrying amount</b>				
At 31 December 2009	44,272	17,499	2,421	64,192
<b>At 31 December 2010</b>	<b>47,759</b>	<b>20,187</b>	<b>1,948</b>	<b>69,894</b>

Plant and equipment and motor vehicles are stated at depreciated historic cost. At 31 December 2010, the Group has commitments to purchase property, plant and equipment for €20,000 (2009: €978,000). In January 2009, Fyffes acquired a distribution centre in the UK from its joint venture Geest for €5.4 million. This purchase was funded through the payment by Geest of a dividend and the repayment of a loan. The net book value of plant and equipment held under finance leases amounted to €2,116,000 at 31 December 2010 (2009: €1,303,000). Depreciation charged on these assets in the year amounted to €264,000 (2009: €187,000).

# Notes to the Group Financial Statements

for the financial year ended 31 December 2010

## 11. Goodwill and intangible assets

	Customer and other Relationships	Trademark	Goodwill	Total
	€'000	€'000	€'000	€'000
<b>Cost</b>				
Balance at 1 January 2009	8,347	1,784	6,315	16,446
Arising from business combinations (note 25)	2,741	-	427	3,168
Foreign exchange movement	194	135	38	367
Balance at 31 December 2009	11,282	1,919	6,780	19,981
Revision to deferred consideration liability (note 22)	-	-	6,504	6,504
Foreign exchange movement	874	70	470	1,414
<b>Balance at 31 December 2010</b>	<b>12,156</b>	<b>1,989</b>	<b>13,754</b>	<b>27,899</b>
<b>Accumulated amortisation &amp; impairment</b>				
Balance at 1 January 2009	1,450	-	-	1,450
Amortisation for the year	2,005	-	-	2,005
Foreign exchange movement	(69)	-	-	(69)
Balance at 31 December 2009	3,386	-	-	3,386
Amortisation for year	3,319	-	-	3,319
Foreign exchange movement	341	-	-	341
<b>Balance at 31 December 2010</b>	<b>7,046</b>	<b>-</b>	<b>-</b>	<b>7,046</b>
<b>Carrying amount</b>				
At 31 December 2009	7,896	1,919	6,780	16,595
<b>At 31 December 2010</b>	<b>5,110</b>	<b>1,989</b>	<b>13,754</b>	<b>20,853</b>

The carrying value of the trademark represents the cost of acquiring the worldwide rights to the Fyffes trademark. The trademark is tested for impairment at each balance sheet date. The Fyffes trademark is widely used in the business with ongoing success and therefore, in the opinion of the directors, does not have a finite useful life.

Customer relationships are amortised over their estimated useful lives, ranging from one to six years. Goodwill and intangible assets arise in connection with acquisitions.

	2010 €'000	2009 €'000
Goodwill and intangibles arising on subsidiary undertakings	18,864	14,676
Goodwill and intangibles arising on investment in joint ventures (note 12)	22,844	23,815
Fyffes Trademark	1,989	1,919

# Notes to the Group Financial Statements

for the financial year ended 31 December 2010

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## 11. Goodwill and intangible assets *(continued)*

The recoverable amounts of cash generating units are based on value in use calculations. Those calculations use cash flow projections based on expected future operating results and cash flows. The cash flow projections are based on current operating results of the individual cash generating units and a conservative assumption regarding future organic growth. For the purposes of the calculation of value in use, the cash flows are projected over a twenty year period, unless a shorter period is appropriate to the circumstances of a particular cash generating unit. The cash flows are discounted using appropriate risk adjusted pre-tax discount rates averaging 7.0% (2009: 9.5%), reflecting the risk associated with the individual future cash flows and the risk free rate. The cash flows are based on current budget assumptions plus inflation related growth. Included in investment in joint ventures and associates is goodwill and intangible assets with a carrying amount €22,844,000 (2009: €23,815,000). This goodwill is subject to annual impairment testing on a similar basis to the goodwill arising in the Group's subsidiaries. Any adverse change in the expected future operational results and cash flows may result in the value in use being less than the carrying value of a business unit and would require that the carrying value of the business unit be impaired and stated at the greater of the value in use or the recoverable amount of the business unit.

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

# Notes to the Group Financial Statements

for the financial year ended 31 December 2010

## 12. Investments in joint ventures and associates

The Group's interests in its joint ventures and associates, all of which, except for Balmoral International Land plc are unlisted, are set out below:

	Joint Ventures €'000	Associates €'000	Total €'000
Balance at 1 January 2009	46,426	59,977	106,403
Long term loans (repaid) in year	(4,029)	-	(4,029)
Share of profit/(loss) after tax before exceptional items	4,438	(27,884)	(23,446)
Loss on property revaluation set against revaluation reserves	-	(8,028)	(8,028)
Exceptional items in joint ventures	(4,347)	-	(4,347)
Amortisation of intangible assets	(1,355)	-	(1,355)
Dividends received in year	(4,194)	-	(4,194)
Share of other comprehensive income	(1,176)	6	(1,170)
Joint venture becoming a subsidiary (note 25)	(3,357)	-	(3,357)
Foreign exchange movement	(141)	-	(141)
<b>Balance at 31 December 2009</b>	<b>32,265</b>	<b>24,071</b>	<b>56,336</b>
Share of profit/(loss) after tax before exceptional items	2,078	(8,255)	(6,177)
Loss on property revaluation set against revaluation reserves	-	(3,815)	(3,815)
Amortisation of intangible assets	(1,057)	-	(1,057)
Dividends received in year	(1,116)	-	(1,116)
Share of other comprehensive income	(1,666)	(14)	(1,680)
Foreign exchange movement	523	-	523
<b>Balance at 31 December 2010</b>	<b>31,027</b>	<b>11,987</b>	<b>43,014</b>

The investment in joint ventures and associates as stated above comprises entirely of equity investments with no outstanding loans.

Investments in joint ventures and associates include the Group's share of fair value gains and losses arising from the revaluation of property, plant and equipment and fair value movements on investment property.

The carrying value of the Group's 40% stake in Balmoral International Land plc at 31 December 2010 amounted to €11,987,000 (2009: €24,071,000). The market value of this investment was €3.5 million (2009: €10.5 million) on the same date based on its then share price. The resulting €8.5 million (2009: €13.6 million) discount to net asset value has not been recognised in Fyffes' balance sheet. Fyffes' carrying value is based on its share of Balmoral's net assets, which reflects up to date independent professional valuations of its property portfolio as at 31 December 2010.

The share of joint venture profit before exceptional items per the income statement is €1,021,000 (2009: €3,083,000). This comprises profit after tax of €2,078,000 (2009: €4,438,000), less amortisation charge of €1,057,000 (2009: €1,355,000). Exceptional items in 2009 attributable to joint ventures per the income statement of €4,347,000 comprise the €4,444,000 in Geest in respect of an onerous shipping contract, less the €529,000 profit on disposal of one of its properties, plus costs of €432,000 in Weichert in connection with the EU Competition investigation.

# Notes to the Group Financial Statements

for the financial year ended 31 December 2010

## 12. Investments in joint ventures and associates (continued)

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

	<b>Joint Ventures</b>	<b>Associates</b>	<b>Total</b>
	<b>2010</b>	<b>2010</b>	<b>2010</b>
	<b>€'000</b>	<b>€'000</b>	<b>€'000</b>
Non-current assets	8,314	87,805	96,119
Cash and cash equivalents	5,136	4,270	9,406
Other current assets	24,559	837	25,396
Non-current liabilities	(4,444)	(1,962)	(6,406)
Employee benefit liabilities	(4,919)	(43)	(4,962)
Current liabilities	(20,463)	(2,444)	(22,907)
Interest bearing loans and borrowings	-	(76,476)	(76,476)
Share of net assets	8,183	11,987	20,170
Goodwill	22,844	-	22,844
<b>Balance at 31 December 2010</b>	<b>31,027</b>	<b>11,987</b>	<b>43,014</b>
	2009	2009	2009
	€'000	€'000	€'000
Non-current assets	7,510	99,334	106,844
Cash and cash equivalents	11,011	1,764	12,775
Other current assets	23,013	1,230	24,243
Non-current liabilities	(8,693)	(964)	(9,657)
Employee benefit liabilities	(3,384)	(42)	(3,426)
Current liabilities	(18,718)	(2,914)	(21,632)
Interest bearing loans and borrowings	(2,289)	(74,337)	(76,626)
Share of net assets	8,450	24,071	32,521
Goodwill	22,844	-	22,844
Intangible assets	971	-	971
<b>Balance at 31 December 2009</b>	<b>32,265</b>	<b>24,071</b>	<b>56,336</b>
	<b>Joint Ventures</b>	<b>Associates</b>	<b>Total</b>
	<b>2010</b>	<b>2010</b>	<b>2010</b>
	<b>€'000</b>	<b>€'000</b>	<b>€'000</b>
<b>Group share of revenue</b>	<b>119,050</b>	<b>-</b>	<b>119,050</b>
	2009	2009	2009
	€'000	€'000	€'000
Group share of revenue	128,669	-	128,669

# Notes to the Group Financial Statements

for the financial year ended 31 December 2010

## 13. Equity investments

	2010 €'000	2009 €'000
Balance at beginning of year	15	16
Disposals	-	(1)
<b>Balance at end of year</b>	<b>15</b>	<b>15</b>

## 14. Inventories

	2010 €'000	2009 €'000
Goods for resale	16,767	14,832
Consumable stores	6,115	3,637
<b>Inventories</b>	<b>22,882</b>	<b>18,469</b>

## 15. Biological assets

	2010 €'000	2009 €'000
Balance at start of year	5,602	5,515
Arising on acquisition (note 25)	-	281
Harvested fruit transferred to inventories	(43,280)	(27,809)
Additions to unharvested fruit	43,444	27,449
Fair value adjustment	804	180
Exchange movements	414	(14)
<b>Balance at end of year</b>	<b>6,984</b>	<b>5,602</b>
<b><i>Analysed as follows:</i></b>		
Non-current assets	313	327
Current assets	6,671	5,275

Biological assets represent the fair value of unharvested fruit in a number of the Group's subsidiaries involved in the production of tropical produce. At 31 December 2010, unharvested fruit comprised mainly pineapple plants farmed on approximately 1,600 hectares and winter season melons farmed on approximately 5,300 hectares. The Group's biological assets are exposed to the risk of damage from climatic events, diseases and other natural forces. The fair value estimate of the value of biological assets reflects a prudent estimate of the fair value of unharvested crops in the context of the stage of the growing season.

# Notes to the Group Financial Statements

for the financial year ended 31 December 2010

## 16. Trade and other receivables

	2010	2009
	€'000	€'000
<b>Non-current</b>		
Other receivables	<b>3,252</b>	511
<b>Current</b>		
Trade receivables	<b>46,312</b>	43,883
Trade receivables due from joint ventures	<b>779</b>	1,030
Other receivables	<b>4,428</b>	4,934
Prepayments	<b>6,699</b>	7,248
Non-trade receivables due from joint ventures	<b>458</b>	2,087
	<b>58,676</b>	59,182

Details of impairment provisions netted against the carrying value of trade and other receivables above are set out in note 29.

# Notes to the Group Financial Statements

for the financial year ended 31 December 2010

## 17. Net funds

	1 Jan 2010 €'000	Cash flow €'000	Acquisition of subsidiaries €'000	Non-cash movement €'000	Translation Adjustment €'000	31 Dec 2010 €'000
Short term bank deposits	1,814	666	-	-	-	<b>2,480</b>
Bank balances	7,486	14,831	-	-	386	<b>22,703</b>
Call deposits	35,147	(20,290)	-	-	-	<b>14,857</b>
Cash and cash equivalents per balance sheet	42,633	(5,459)	-	-	386	<b>37,560</b>
Bank overdrafts	(6,912)	5,626	-	-	(10)	<b>(1,296)</b>
Cash and cash equivalents per cash flow statement	35,721	167	-	-	376	<b>36,264</b>
Non current bank borrowings	(352)	-	-	69	(24)	<b>(307)</b>
Current bank borrowings	(30)	51	-	(69)	(3)	<b>(51)</b>
Finance leases	(528)	716	-	(1,444)	(43)	<b>(1,299)</b>
	(910)	767	-	(1,444)	(70)	<b>(1,657)</b>
<b>Net funds</b>	<b>36,625</b>	<b>1,600</b>	<b>-</b>	<b>(1,444)</b>	<b>306</b>	<b>37,087</b>

	1 Jan 2009 €'000	Cash flow €'000	Acquisition of subsidiaries €'000	Non-cash movement €'000	Translation Adjustment €'000	31 Dec 2009 €'000
Short term bank deposits	27,326	(25,512)	-	-	-	1,814
Bank balances	5,157	2,252	-	-	77	7,486
Call deposits	61,915	(26,796)	-	-	28	35,147
Cash and cash equivalents per balance sheet	67,072	(24,544)	-	-	105	42,633
Bank overdrafts	(1,368)	(5,544)	-	-	-	(6,912)
Cash and cash equivalents per cash flow statement	65,704	(30,088)	-	-	105	35,721
Non current bank borrowings	(165)	(169)	-	(28)	10	(352)
Current bank borrowings	(59,733)	61,217	(1,719)	28	177	(30)
Finance leases	(905)	369	-	-	8	(528)
	(60,803)	61,417	(1,719)	-	195	(910)
<b>Net funds</b>	<b>32,227</b>	<b>5,817</b>	<b>(1,719)</b>	<b>-</b>	<b>300</b>	<b>36,625</b>

# Notes to the Group Financial Statements

for the financial year ended 31 December 2010

## 18. Capital and reserves

### Share capital

	<b>2010</b>	2009
	<b>Ordinary</b>	Ordinary
	<b>Shares</b>	Shares
	<b>'000</b>	'000
<b>Allotted, called up and fully paid</b>		
In issue at beginning of year	<b>364,391</b>	364,319
Cancellation of treasury shares	<b>(3,946)</b>	-
Share options exercised	<b>1,100</b>	72
<hr/>		
In issue at end of year	<b>361,545</b>	364,391
Treasury shares	<b>(32,075)</b>	(19,022)
<hr/>		
	<b>329,470</b>	345,369

At the end of both 2010 and 2009, the authorised share capital comprised 750,000,000 ordinary shares with a par value of €0.06 cent each. The holders of ordinary shares are entitled to receive dividends as declared and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets. In respect of the Company's shares that are held by the Group (Treasury shares), all rights (including voting and dividend rights) are suspended until those shares are reissued. These shares have been delisted and are not included in the calculation of earnings per share. All ordinary shares are fully paid up.

### Other reserves

	<b>2010</b>	2009
	<b>€'000</b>	€'000
Capital conversion reserve	<b>1,034</b>	1,034
Capital redemption reserve	<b>70,898</b>	70,662
Share option reserve	<b>1,392</b>	1,229
Currency translation reserve	<b>(8,199)</b>	(13,522)
Revaluation reserve	<b>8,318</b>	12,027
Own shares reserve	<b>(20,730)</b>	(23,690)
Hedging reserve	<b>840</b>	1,604
<hr/>		
At end of year	<b>53,553</b>	49,344

### Attributable profit of Company

The profit attributable to Group shareholders dealt with in the financial statements of the holding Company for the year ended 31 December 2010 was €278,000 (2009: loss of €60,247,000). As permitted by Section 148(8) of the Companies Act, 1963, the income statement of the Company has not been separately presented in these financial statements.

### Capital conversion reserve

This reserve arose on the renominatisation of the Company's share capital following the introduction of the euro.

# Notes to the Group Financial Statements

for the financial year ended 31 December 2010

## 18. Capital and reserves (continued)

### **Capital redemption reserve**

This reserve arose on the conversion of preference shares into ordinary share capital of the Company in prior years. The nominal value of the 3,946,610 treasury shares cancelled during the year amounting to €236,000 was credited to the capital redemption reserve.

### **Share option reserve**

This reserve comprises amounts expensed in the income statement in connection with share option grants less any exercises of such share options.

### **Currency translation reserve**

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

### **Reserve for own shares**

The reserve for the Company's own shares comprises the cost of the Company's shares held by the Group. On 17 November 2010, Fyffes purchased 17,000,000 ordinary shares of €0.06 each in the issued share capital of the Company on the market at a price of €0.31 per share at a total cost of €5,336,000, including taxes and commission. On the same date, Fyffes cancelled 3,946,610 ordinary shares previously held by the Company as treasury shares. At 31 December 2010, the total number of treasury shares held amounted to 32,075,000 (2009: 19,021,610) ordinary €0.06 shares at a cost of €20,730,000 (2009: €23,690,000). The carrying value of the 3,946,610 treasury shares which were cancelled during the year, amounting to €8,296,000, was set against retained earnings.

### **Fair value reserve**

The fair value reserve includes the cumulative net change in the fair value of investments until the investment is derecognised.

### **Hedging reserve**

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

### **Revaluation reserve**

The revaluation reserve relates to revaluation surpluses arising on revaluations of property, plant and equipment. On distribution of revalued properties to Balmoral International Land plc in 2006, 60% of the related revaluation reserve was deemed to have crystallised and was transferred to retained earnings. During 2009, revaluation gains of €739,000 were transferred to distributable reserves as a result of the disposal of a revalued property by the Group's Geest joint venture. In 2010, Fyffes' share of losses recognised in Balmoral International Land plc, amounting to €3,815,000 (2009: €8,028,000), were set against this revaluation reserve.

### **Capital management**

The Board regularly reviews and monitors the Group's capital structure including appropriate debt/equity levels in the context of possible acquisitions, with a view to maintaining a strong capital base in order to sustain market confidence in the business. This involves consideration of the level of dividends paid to shareholders, the demographic spread of shareholders, the amount of liquid assets on the balance sheet and the return on capital (based on shareholder's funds). The Board encourages all employees to purchase shares in the Group and a share option scheme is in place for employees. The Group may purchase its own shares on an opportunistic basis. The decision will depend on market prices and alternative investment opportunities at the time.

# Notes to the Group Financial Statements

for the financial year ended 31 December 2010

## 19. Non-controlling interests

	2010	2009
	€'000	€'000
Balance at beginning of year	2,070	1,536
Share of (loss)/profit after tax for year	(430)	534
Dividend paid to non-controlling interests	(762)	-
<b>Balance at end of year</b>	<b>878</b>	<b>2,070</b>

## 20. Interest bearing loans and borrowings

	2010	2009
	€'000	€'000
<b>Non-current</b>		
Bank borrowings	307	352
Finance lease liabilities	543	308
	<b>850</b>	<b>660</b>
<b>Current</b>		
Overdrafts	1,296	6,912
Bank borrowings	51	30
Finance lease liabilities	756	220
	<b>2,103</b>	<b>7,162</b>

Interest bearing loans and borrowings excluding finance leases are repayable as follows:

### *Bank borrowings and overdrafts*

Within one year	1,347	6,942
After one but within two years	34	64
After two but within five years	100	123
After five years	173	165
	<b>1,654</b>	<b>7,294</b>

No borrowings are secured on any of the Group's assets other than in respect of loans totalling €358,000 (2009: €382,000) which are secured on the assets they are financing. See note 27 for further details regarding bank borrowings.

### *Finance lease obligations*

Within one year	756	220
After one but within five years	543	308
	<b>1,299</b>	<b>528</b>

Total future minimum lease payments on finances leases amount to €1,341,000 (2009: €551,000).

# Notes to the Group Financial Statements

for the financial year ended 31 December 2010

## 21. Trade and other payables

	2010	2009
	€'000	€'000
<b>Non-current</b>		
Other payables	1,884	2,029
<b>Current</b>		
Trade payables	38,279	35,825
Trade payables due to joint ventures	128	87
Accruals and deferred income	14,950	16,203
Other payables	10,329	10,891
Other tax	590	10
Non-trade payables due to joint ventures	1,872	311
	<b>66,148</b>	<b>63,327</b>

Non-current payables are due entirely within five years.

Included in current and non-current other payables is an interest-bearing loan from a third party amounting to €3,050,000 (2009: €3,485,000) which is secured on certain property assets in a subsidiary company. In addition, there are other unsecured interest bearing other payables amounting to €893,000 (2009: €697,000).

## 22. Provisions

	Deferred Consideration €'000	MNOFF €'000	Total €'000
Balance at 1 January 2009	5,918	2,367	8,285
Arising on business combinations (note 25)	2,897	-	2,897
Discounting	302	154	456
Payments	-	(510)	(510)
Revisions to previous estimates	-	3,774	3,774
Foreign exchange	(236)	176	(60)
Balance at 31 December 2009	8,881	5,961	14,842
Amounts reclassified to other receivables	-	875	875
Discounting	343	187	530
Payments	(886)	(742)	(1,628)
Revisions to previous estimates	6,504	(285)	6,219
Foreign exchange	604	221	825
<b>Balance at 31 December 2010</b>	<b>15,446</b>	<b>6,217</b>	<b>21,663</b>
<i>Analysed as follows:</i>			
Non-current	14,626	5,281	19,907
Current	820	936	1,756
<b>Balance at 31 December 2010</b>	<b>15,446</b>	<b>6,217</b>	<b>21,663</b>

# Notes to the Group Financial Statements

for the financial year ended 31 December 2010

## 22. Provisions (continued)

### Deferred consideration

Deferred acquisition consideration liabilities represent full provision for the net present value of the amounts expected to be payable in respect of acquisitions which are subject to earn out or other deferred payment arrangements. The estimated amount payable in relation to certain businesses acquired in previous years was revised upwards in 2010 in accordance with the existing purchase agreements to reflect the improved underlying performance of these businesses. The net present value of the increase in the estimated consideration payable amounted to €6,504,000, giving rise to a corresponding increase in goodwill (note 11).

### Merchant Navy Officers Pension Fund

As a result of a ruling by the High Court in the UK in 2005, a claim was made against Fyffes in respect of a deficit in the Merchant Navy Officers Pension Fund (MNOFF), a UK based multi-employer defined benefit pension scheme operated on behalf of ships' officers employed by approximately 2,000 companies. The Trustee of the MNOFF was authorised by the Court to recover any deficit in the scheme from both the current and former employers of these ships' officers. The claim against Fyffes relates to ships' officers employed by two subsidiaries prior to their acquisition by the Group. The Trustee notified Fyffes that its share of the deficit as at 31 March 2005 could be settled by ten equal instalments payable between September 2005 and March 2014, amounting to €6.4 million in aggregate. The Trustee also indicated that further cash calls may be necessary in subsequent years, depending on the results of future actuarial valuations of the scheme and on his ability to recover the amounts due from all relevant current and former employers. In 2005, the Group provided for the net present value of the payments claimed amounting to €4,994,000.

The Group's liability in this regard increased during 2007 following an actuarial review. However, in the same year the Trustee also reallocated a portion of the liability of one of the Group's subsidiaries to the former owners of this entity. The Group's liability increased further in 2009 as a result of the most recent triennial valuation of the scheme giving rise to an estimated charge in that year of €3,774,000. This liability was finalised and reduced by €285,000 in 2010. Also in 2010, the present value of amounts recoverable from a third party of €875,000 relating to the 2009 increase which had previously been netted against the Group's MNOFF liability were reclassified as other receivables. Payments in 2010 amounted to €742,000 (2009: €510,000) and, after currency movements, the present value of the Group's liability to the MNOFF amounted to €6,217,000 at 31 December 2010 (2009: €5,961,000).

Following negotiations with the Trustee of the MNOFF, a payment schedule has been agreed in relation to the further deficit arising from the 2009 actuarial valuation, resulting in equal annual payments between 2010 and 2021 totalling €6.8 million. Fyffes plc has agreed to provide a parent company guarantee in support of these deferred payments, in addition to the earlier deficits.

## 23. Operating leases

### Leases as lessee

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

	2010	2009
	€'000	€'000
<i>Payable in:</i>		
Less than one year	3,300	2,985
Between one and five years	11,728	9,985
More than five years	681	2,947
	<b>15,709</b>	<b>15,917</b>

# Notes to the Group Financial Statements

for the financial year ended 31 December 2010

## 23. Operating leases (continued)

The Group leases certain property, plant and equipment under operating leases, including properties previously owned but transferred to Balmoral International Land plc arising from the demerger of the Group's property undertaking in 2006. The leases typically run for an initial lease period with the potential to renew the leases at market rates after the initial period.

During the year €4,736,000 (2009: €4,768,000) was recognised as an expense in the income statement in respect of operating leases, including €2,618,000 (2009: €2,564,000) paid to the Group's 40% associate, Balmoral International Land plc.

### Leases as lessor

The Group sub-leases part of certain leased property. Non-cancellable operating lease rentals receivable are set out below. These amounts represent the minimum future lease payments, in aggregate, that the Group will receive under existing lease agreements.

	2010	2009
	€'000	€'000
Less than one year	150	150

During the year, €797,000 (2009: €774,000) was recognised as sub-lease income and €Nil (2009: €Nil) was recognised as an expense for the operating costs arising from the sub-lease of leased property.

## 24. Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities are attributable to the following:

	Assets	Liabilities	Net	Assets	Liabilities	Net
	2010	2010	2010	2009	2009	2009
	€'000	€'000	€'000	€'000	€'000	€'000
Property, plant and equipment	157	(1,273)	(1,116)	-	(282)	(282)
Derivatives	87	(207)	(120)	-	(229)	(229)
Employee benefits	4,248	-	4,248	4,937	-	4,937
Trade and other payables	1,954	(317)	1,637	2,093	(127)	1,966
Intangible assets	-	(1,421)	(1,421)	-	(2,266)	(2,266)
Other items	1,273	(1,055)	218	8	(600)	(592)
Net deferred tax assets / (liabilities)	7,719	(4,273)	3,446	7,038	(3,504)	3,534

No deferred tax asset is recognised in relation to certain income tax losses incurred by the Group on the grounds that there is insufficient evidence that the assets will be recoverable. In the event that sufficient profits are generated in the relevant jurisdictions in the future, these assets may be recovered. The estimated unrecognised deferred tax asset at 31 December 2010 is €3,606,000 (2009: €4,734,000).

No deferred tax asset is recognised in relation to certain capital losses incurred by the Group on the grounds that there is insufficient evidence that the assets will be recoverable. The estimated unrecognised deferred tax asset at 31 December 2010 is €9,217,000 (2009: €8,866,000).

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

# Notes to the Group Financial Statements

for the financial year ended 31 December 2010

## 24. Deferred tax assets and liabilities (continued)

### Movement in temporary differences during the year

	1 Jan 2010	Recognised in income	Recognised in equity	Retranslation adjustment	Arising on acquisitions	Balance 31 Dec 2010
	€'000	€'000	€'000	€'000	€'000	€'000
Property, plant and equipment	(282)	(830)	-	(4)	-	(1,116)
Derivatives	(229)	-	109	-	-	(120)
Employee benefits	4,937	(608)	(257)	176	-	4,248
Trade and other payables	1,966	(391)	-	62	-	1,637
Intangible assets	(2,266)	999	-	(154)	-	(1,421)
Other items	(592)	810	-	-	-	218
	<b>3,534</b>	<b>(20)</b>	<b>(148)</b>	<b>80</b>	<b>-</b>	<b>3,446</b>

	1 Jan 2009	Recognised in income	Recognised in equity	Retranslation adjustment	Arising on acquisitions	Balance 31 Dec 2009
	€'000	€'000	€'000	€'000	€'000	€'000
Property, plant and equipment	(347)	79	-	(14)	-	(282)
Derivatives	(1,931)	-	1,702	-	-	(229)
Employee benefits	2,090	1,157	1,565	125	-	4,937
Trade and other payables	1,028	891	-	47	-	1,966
Intangible assets	(2,342)	613	-	(110)	(427)	(2,266)
Other items	63	(654)	-	(1)	-	(592)
	(1,439)	2,086	3,267	47	(427)	3,534

## 25. Acquisitions, disposals and terminations

The Group did not acquire any new subsidiaries in 2010. Details of subsidiaries acquired in 2009 are set out below. During 2009, Fyffes acquired the second 50% it did not already own of a joint venture operation involved in the production of bananas for the Group in South America. In addition, the Group acquired a farming business involved in the production of pineapples, based in Panama.

The Group did not acquire any new joint ventures or associates during 2010 or 2009.

# Notes to the Group Financial Statements

for the financial year ended 31 December 2010

## 25. Acquisitions, disposals and terminations (continued)

The table below summarises the assets and liabilities, the consideration payable (including deferred consideration) and the goodwill and intangibles arising in acquired subsidiaries in 2009.

	<b>Acquirees carrying amount 2009 €'000</b>	<b>Fair value adjustments 2009 €'000</b>	<b>Final fair value 2009 €'000</b>
<b>2009</b>			
<b>Subsidiaries</b>			
<i>Identifiable assets and liabilities</i>			
Property, plant and equipment (note 10)	7,556	-	7,556
Intangible assets – customer relationships (note 11)	-	2,741	2,741
Deferred tax liability on intangible assets (note 24)	-	(427)	(427)
Biological assets (note 15)	-	281	281
Inventories	507	-	507
Trade and other receivables	359	-	359
Interest bearing liabilities – bank debt (note 17)	(1,719)	-	(1,719)
Trade and other payables	(1,347)	-	(1,347)
Net identifiable assets & liabilities	5,356	2,595	7,951
Goodwill (note 11)			427
			8,378
<i>Consideration:</i>			
Cash consideration including fees			1,326
Joint venture becoming subsidiary – fair value previously held (note 12)			3,357
Debt converted to equity			798
Deferred consideration (note 22)			2,897
			8,378

Property, plant and equipment acquired of €7,556,000 comprised land and buildings of €5,510,000, plant and equipment of €2,024,000 and motor vehicles of €22,000. Goodwill arising on acquisitions is represented by the management and workforce acquired with these businesses. Subsidiaries acquired during 2009 contributed revenues of €7,695,000, operating losses of €1,936,000 and operating cash outflows of €1,402,000 in that year.

### Cash flows relating to acquisitions of subsidiaries

	<b>2010 €'000</b>	2009 €'000
Cash consideration	-	(1,326)

# Notes to the Group Financial Statements

for the financial year ended 31 December 2010

## 26. Employee benefits

	<b>2010</b>	2009
	<b>€'000</b>	€'000
<b>Remuneration</b>		
Wages and salaries	<b>38,525</b>	38,874
Social security contributions	<b>3,133</b>	2,759
Pension costs – defined contribution schemes	<b>162</b>	136
Pension costs – defined benefit schemes	<b>1,670</b>	1,637
Share based payment (share option expense)	<b>163</b>	119
Recognised in the income statement	<b>43,653</b>	43,525
Actuarial (gain)/loss on defined benefit schemes	<b>(601)</b>	10,395
<b>Total employee benefit costs</b>	<b>43,052</b>	53,920
	<b>2010</b>	2009
	<b>Number</b>	Number
<b>Employee numbers – subsidiaries</b>		
Production	<b>1,235</b>	1,224
Sales and distribution	<b>288</b>	261
Administration	<b>396</b>	360
	<b>1,919</b>	1,845

In addition, certain subsidiary companies involved in fruit production employ casual farming personnel on a seasonal basis. The number involved ranges from c.400 to a high of c.5,000 depending on the stage of the growing season. Total remuneration amounted to €8.7 million in 2010 (2009: €6.7 million) for these staff.

### Post retirement benefits

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

The pension cost expensed in the income statement for the year in respect of the Group's defined benefit schemes was €1,670,000 (2009: €1,637,000) and €162,000 (2009: €136,000) in respect of the Group's defined contribution schemes.

The accompanying disclosures relate to all of the Group's defined benefit retirement schemes in Ireland, the UK and Continental Europe. The previous full actuarial valuations of these schemes, for the purposes of these disclosures, were updated to 31 December 2010. Full actuarial valuations were carried out in the main Irish scheme at 31 December 2007 and on the UK scheme at 31 October 2009. An actuarial valuation of the Irish scheme as at 31 December 2010 is underway. The result of the October 2009 full actuarial review of the Group's defined benefit pension scheme in the UK was a deficit of STG€12.6 million. Subsequent to the year end, the Group agreed a recovery plan with the trustees of that scheme involving fifteen annual payments of STG€750,000 by its UK subsidiary Fyffes Group Limited, commencing in January 2011, supported by a guarantee from Fyffes plc. All calculations were carried out by independent actuaries using the projected unit method. The actuarial reports are not available for public inspection. However, the results of the valuations are advised to members of the schemes. The scheme assets do not include any shareholdings in the Company.

# Notes to the Group Financial Statements

for the financial year ended 31 December 2010

## 26. Employee benefits (continued)

The principal assumptions used by the actuaries were:

	Ireland		UK		Holland	
	2010	2009	2010	2009	2010	2009
Rate of increase in salaries	<b>3.50%</b>	3.50%	<b>3.65%</b>	3.75%	<b>3.50%</b>	3.50%
Rate of increase in pensions	<b>2.00%</b>	2.00%	<b>3.40%</b>	3.50%	<b>0.00%</b>	0.00%
Inflation rate	<b>2.00%</b>	2.00%	<b>2.90%</b>	3.50%	<b>2.00%</b>	2.00%
Discount rate	<b>5.60%</b>	5.80%	<b>5.30%</b>	5.70%	<b>5.60%</b>	5.80%

The expected long term rates of return on assets were:

	Ireland		UK		Holland	
	2010	2009	2010	2009	2010	2009
Equities	<b>7.50%</b>	8.00%	<b>7.50%</b>	8.00%	<b>N/A</b>	N/A
Bonds	<b>4.00%</b>	4.50%	<b>4.50%</b>	4.75%	<b>N/A</b>	N/A
Property	<b>6.00%</b>	6.00%	<b>6.50%</b>	6.00%	<b>N/A</b>	N/A
Other	<b>2.50%</b>	2.50%	<b>2.50%</b>	2.50%	<b>5.5%</b>	5.8%

An increase of 25 basis points (approximately 4.5%) in the key discount rate assumption would decrease total liabilities in all schemes by €4.7 million (2009: €4.3 million). A decrease of 25 basis points would increase total liabilities by €5 million (2009: €4.6 million).

The Group uses certain mortality rate assumptions when calculating scheme obligations. The current assumptions for all major schemes retain a prudent allowance for future improvements in longevity. The Irish scheme uses the PA92 (2030) mortality table for current employees and PA92 (2015) for retired members, while the UK scheme uses 130% of the PA92 year of birth tables medium cohort projections, with built in annual improvements between 0.5% and 1.0%. This represents the following in terms of life expectancies:

	Ireland Years	UK Years	Holland Years
<b>Life expectancy for 65 year old pensioner</b>			
Male	22.8	20.4	21.3
Female	24.4	23.9	24.5
<b>Life expectancy at age 65 for current 45 year old</b>			
Male	25.6	22.5	22.9
Female	26.6	26.0	25.3

The Group anticipates that total expense recognised in its income statement in respect of its defined benefit pension schemes will amount to €1.6 million in 2011 (2010: €1.7 million).

# Notes to the Group Financial Statements

for the financial year ended 31 December 2010

## 26. Employee benefits (continued)

### Analysis of net liability

	2010 €'000	2009 €'000
Equities	51,980	42,313
Bonds	41,087	36,541
Property	8,983	8,492
Other	8,568	11,181
Fair value of scheme assets	110,618	98,527
Present value of scheme obligations	(124,447)	(113,041)
<b>Employee benefits (liability)</b>	<b>(13,829)</b>	<b>(14,514)</b>
Deferred tax asset	4,248	4,937
<b>Net (liability)</b>	<b>(9,581)</b>	<b>(9,577)</b>

### Historical information

	2010 €'000	2009 €'000	2008 €'000	2007 €'000	2006 €'000
Fair value of scheme assets	110,618	98,527	78,858	124,829	125,607
Present value of scheme obligations	(124,447)	(113,041)	(88,843)	(123,191)	(140,697)
Net pension (liabilities)/assets	(13,829)	(14,514)	(9,985)	1,638	(15,090)
Experience adjustments on scheme assets	5,103	5,448	(28,381)	(3,368)	9,298
Experience adjustments on scheme liabilities	581	(1,188)	(1,593)	(468)	(1,287)

# Notes to the Group Financial Statements

for the financial year ended 31 December 2010

## 26. Employee benefits (continued)

### Movements in the fair value of scheme assets

	Ireland €'000	UK €'000	Holland €'000	Total €'000
Fair value of assets at 1 January 2009	6,424	67,491	4,943	78,858
Expected return on scheme assets	480	4,732	285	5,497
Employer contributions	4,993	2,606	342	7,941
Employee contributions	29	347	-	376
Benefit payments	(58)	(4,245)	(371)	(4,674)
Experience adjustments on scheme assets	604	5,080	(236)	5,448
Foreign exchange movements	-	5,136	-	5,136
Premiums paid	(55)	-	-	(55)
Fair value of assets at 31 December 2009	12,417	81,147	4,963	98,527
Expected return on scheme assets	833	5,352	262	6,447
Employer contributions	981	957	353	2,291
Employee contributions	141	355	-	496
Premiums paid	(45)	-	-	(45)
Benefit payments	(72)	(4,696)	(359)	(5,127)
Experience adjustments on scheme assets	227	4,702	174	5,103
Foreign exchange movements	-	2,926	-	2,926
<b>Fair value of assets at 31 December 2010</b>	<b>14,482</b>	<b>90,743</b>	<b>5,393</b>	<b>110,618</b>

# Notes to the Group Financial Statements

for the financial year ended 31 December 2010

## 26. Employee benefits (continued)

### Movements in the present value of scheme obligations

	Ireland €'000	UK €'000	Holland €'000	Total €'000
Value of scheme obligations at 1 January 2009	(10,943)	(72,720)	(5,180)	(88,843)
Current service cost	(629)	(699)	(117)	(1,445)
Interest on scheme obligations	(633)	(4,766)	(290)	(5,689)
Employee contributions	(29)	(347)	-	(376)
Premiums paid	55	-	-	55
Benefit payments	58	4,245	371	4,674
Experience adjustments on scheme liabilities	(256)	(930)	(2)	(1,188)
Effect of changes in actuarial assumptions	(262)	(14,404)	11	(14,655)
Foreign exchange movements	-	(5,574)	-	(5,574)
Value of scheme obligations at 31 December 2009	(12,639)	(95,195)	(5,207)	(113,041)
Current service cost	(517)	(861)	(123)	(1,501)
Interest on scheme obligations	(732)	(5,593)	(291)	(6,616)
Employee contributions	(141)	(355)	-	(496)
Premiums paid	45	-	-	45
Benefit payments	72	4,696	359	5,127
Experience adjustments on scheme liabilities	355	311	(85)	581
Effect of changes in actuarial assumptions	(1,067)	(3,384)	(632)	(5,083)
Foreign exchange movements	-	(3,463)	-	(3,463)
<b>Value of scheme obligations at 31 December 2010</b>	<b>(14,624)</b>	<b>(103,844)</b>	<b>(5,979)</b>	<b>(124,447)</b>

# Notes to the Group Financial Statements

for the financial year ended 31 December 2010

## 26. Employee benefits (continued)

### Movements in the net (liability) recognised in the balance sheet

	Ireland €'000	UK €'000	Holland €'000	Total €'000
Net (liability) in schemes at 1 January 2009	(4,519)	(5,229)	(237)	(9,985)
Employer contributions	4,993	2,606	342	7,941
(Expense) recognised in income statement	(782)	(733)	(122)	(1,637)
Recognised in statement of comprehensive income	86	(10,254)	(227)	(10,395)
Foreign exchange movement	-	(438)	-	(438)
Net (liability) at 31 December 2009	(222)	(14,048)	(244)	(14,514)
Employer contributions	981	957	353	2,291
(Expense) recognised in income statement	(416)	(1,102)	(152)	(1,670)
Recognised in statement of comprehensive income	(485)	1,629	(543)	601
Foreign exchange movement	-	(537)	-	(537)
<b>Net (liability) at 31 December 2010</b>	<b>(142)</b>	<b>(13,101)</b>	<b>(586)</b>	<b>(13,829)</b>

### Defined benefit pension income/(expense) recognised in the income statement

<b>2010</b>	Ireland €'000	UK €'000	Holland €'000	Total €'000
Current service costs	(517)	(861)	(123)	(1,501)
Interest on scheme obligations	(732)	(5,593)	(291)	(6,616)
Expected return on schemes assets	833	5,352	262	6,447
	(416)	(1,102)	(152)	(1,670)
Actual return on scheme assets	1,060	10,054	436	11,550
<b>2009</b>	Ireland €'000	UK €'000	Europe €'000	Total €'000
Current service costs	(629)	(699)	(117)	(1,445)
Interest on scheme obligations	(633)	(4,766)	(290)	(5,689)
Expected return on schemes assets	480	4,732	285	5,497
	(782)	(733)	(122)	(1,637)
Actual return on scheme assets	1,084	9,812	49	10,945

The defined benefit pension expense is recognised under administrative expenses in the income statement.

# Notes to the Group Financial Statements

for the financial year ended 31 December 2010

## 26. Employee benefits (continued)

### Defined benefit pension expense recognised in the statement of comprehensive income

2010	Ireland €'000	UK €'000	Holland €'000	Total €'000
Experience adjustments on scheme assets	227	4,702	174	5,103
Experience adjustments on scheme liabilities	355	311	(85)	581
Effect of changes in actuarial assumptions	(1,067)	(3,384)	(632)	(5,083)
	(485)	1,629	(543)	601
Cumulative amounts recognised in equity – 2010	<b>(7,151)</b>	<b>(8,260)</b>	<b>(1,553)</b>	<b>(16,964)</b>
2009	Ireland €'000	UK €'000	Holland €'000	Total €'000
Experience adjustments on scheme assets	604	5,080	(236)	5,448
Experience adjustments on scheme liabilities	(256)	(930)	(2)	(1,188)
Effect of changes in actuarial assumptions	(262)	(14,404)	11	(14,655)
	86	(10,254)	(227)	(10,395)
Cumulative amounts recognised in equity – 2009	(6,666)	(9,889)	(1,010)	(17,565)

### Share based payments

The Group's 1997 share option scheme, which entitles employees to purchase shares in Fyffes plc, terminated during 2007 and was replaced by a new 2007 scheme. Share options were last granted under the 1997 scheme in March 2004 and a total of 2,230,000 share options were included in that grant. In September 2007, 4,330,000 options were granted under the 2007 scheme. A further 4,780,000 options were granted under this scheme in September 2009. In accordance with the terms of the schemes, the options when vested are exercisable at the market price at the date of grant.

Additionally, share options were granted under the 1997 scheme before 7 November 2002. The recognition and measurement principles of IFRS 2, *Share Based Payments* have not been applied to these grants in accordance with the transitional provisions in IFRS 1 and IFRS 2.

Share options granted under the 1997 scheme only vest when the earnings per share figure in respect of the third or any subsequent accounting period after the end of the basis year (ie the accounting period preceding the date of the grant) is greater than the earnings per share figure for the basis year by a percentage which is not less than (on a year on year basis) the annual percentage increase in the consumer price index plus 2% compounded during that period. Subject to the achievement of this performance condition, the shares vest three years after grant. The contractual life of the options is 10 years. The terms of the 2007 scheme are similar except that the performance condition is based on the consumer price index plus 5% compounded.

# Notes to the Group Financial Statements

for the financial year ended 31 December 2010

## 26. Employee benefits (continued)

The number and weighted average exercise prices of share options outstanding are as follows:

	<b>2010</b>	2009	<b>2010</b>	2009
	<b>Weighted</b>	Weighted	<b>Number</b>	Number
	<b>Exercise</b>	Exercise	<b>of</b>	of
	<b>Price</b>	Price	<b>Options</b>	Options
	€	€	'000	'000
Options outstanding at beginning of year	<b>0.61</b>	0.77	<b>12,143</b>	8,835
Options granted in year	-	0.45	-	4,780
Lapsed during the year	<b>(1.59)</b>	(1.15)	<b>(605)</b>	(1,400)
Exercised during the year	<b>(0.06)</b>	(0.06)	<b>(1,100)</b>	(72)
Options outstanding at end of year	<b>0.61</b>	0.61	<b>10,438</b>	12,143

The average share price for the financial year was €0.36 (2009: €0.34) and the year end price was €0.37 (2009: €0.46).

	<b>2010</b>	2009	<b>2010</b>	2009
	<b>Weighted</b>	Weighted	<b>Number</b>	Number
	<b>Exercise</b>	Exercise	<b>of</b>	of
	<b>Price</b>	Price	<b>Options</b>	Options
	€	€	'000	'000
Options exercisable at end of year	<b>0.06</b>	0.56	<b>163</b>	1,868

The options outstanding at 31 December 2010 had an exercise price in the range of €0.06 to €0.925 (2009: €0.06 to €1.59) and a weighted average contractual life of 6.9 years (2009: 6.9 years).

The fair value of services received in return for share options granted is measured by reference to fair value of the share options granted. The estimate of the fair value of the services received is measured based on a binomial lattice model. The contractual life of the options, which is 10 years, is used as an input in this model. Expectations of early exercise are incorporated into the binomial lattice model and are reflected in the assumptions.

# Notes to the Group Financial Statements

for the financial year ended 31 December 2010

## 26. Employee benefits (continued)

The calculated fair value of share options granted in March 2004, September 2007 and September 2009 and the related assumptions used in the binominal model are as follows:

	<b>March 2004</b>	<b>September 2007</b>	<b>September 2009</b>
Fair value at measurement date	€0.47	€0.261	€0.155
Share price at date of grant	€1.56	€0.925	€0.4525
Exercise price *	€1.56	€0.925	€0.4525
Expected volatility	32%	30%	37.5%
Option life (years)	9.44 years	8.76 years	9.99 years
Expected dividend yield	3.00%	2.00%	3.00%
Risk-free interest rate	4.00%	4.33%	3.57%

\* *The exercise price of the March 2004 options (which have not yet vested) is now €0.45, reflecting the impact of the two demergers during 2006.*

The expected volatility and option life are expressed as weighted averages in modelling in the binominal lattice model. The expected volatility is based on the historic volatility of the share price. Share options are granted under a service condition and a non-market related performance condition, which is the achievement of growth in earnings per share as set out earlier. The total expense for share options recognised in the income statement was €163,000 of which €64,000 related to the options granted in September 2009 and €99,000 to those granted in September 2007 (2009: €119,000), based on the projected date of vesting of these options.

The repricing of the options granted in March 2004 arising from the demergers as set out above did not give rise to an adjustment in this expense under IFRS 2 as the objective of the repricing was to ensure the value of outstanding options was not diluted as a consequence of the demergers.

# Notes to the Group Financial Statements

for the financial year ended 31 December 2010

## 27. Capital commitments and contingencies

### (a) Capital commitments

The directors have authorised capital and other expenditure of €9.4 million (2009: €5 million) at the balance sheet date. Capital expenditure contracted for at 31 December 2010 amounted to €20,000 (2009: €978,000).

### (b) Subsidiaries

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

Banana Importers of Ireland Limited	Fyffes Florida Property Limited
Bernard Dempsey & Co Limited	Fyffes Honduras Holdings Limited
Elders & Fyffes Investments	Huntroyde Limited
FHBV Investment Company	Jack Dolan Limited
Fyffes Bananas North America Limited	Kinsealy Farms Limited
Fyffes Fruit Procurement Limited	Motcombe Limited
Fyffes Banana Processing Limited	Melvich Limited
Fyffes Personnel Services Limited	Millerton Limited
Fyffes Secretarial Services Limited	Munster Fruit & Produce Limited
Fyffes Investment Holdings	Southern Fruit Suppliers (Waterford) Limited
Fyffes Tropical (Ireland) Limited	Tropical Fruit Company (Cork) Limited
Fyffes Atlantic Shipping Limited	Tropical Fruit Company (Ireland) Limited
Fyffes Bananas (Swords) Limited	

The Company has guaranteed the cash borrowings of subsidiaries under overdraft facilities at 31 December 2010 in the amount of €1,254,000 (2009: €6,313,000). In addition, the Company has guaranteed borrowings by subsidiary companies under bank guarantee facilities amounting to €6,944,000 at 31 December 2010 (2009: €8,553,000).

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within the Group, the Company considers these to be insurance arrangements and accounts for them as such. The Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make such a payment under the guarantee contracts with third parties.

### (c) Contingencies

From time to time, the Group is involved in other claims and legal actions which arise in the normal course of business. Based on information currently available to the Company, and legal advice, the directors believe such litigation will not, individually or in aggregate, have a material adverse effect on the financial statements and that the Group is adequately positioned to deal with the outcome of any such litigation.

# Notes to the Group Financial Statements

for the financial year ended 31 December 2010

## 28. Related parties

### *Identity of related parties*

Under IAS 24, *Related Party Disclosures*, the Group has a related party relationship with its joint ventures and associates. Transactions with the Group's joint ventures and associates are set out below.

IAS 24 also requires the disclosure of compensation paid to the Group's key management personnel. This comprises its executive and non-executive directors, together with persons discharging managerial responsibility ("PDMR") as defined in section 12(8) of the Irish Market Abuse Directive Regulations, being the company secretary.

### *Remuneration of key management personnel*

	<b>2010</b>	2009
	<b>€'000</b>	€'000
Short term benefits (salary, bonus, incentives)	<b>2,590</b>	3,404
Post employment benefits (pension contribution)	<b>465</b>	462
Share based payment (share option expense)	<b>80</b>	58
<b>Total</b>	<b>3,135</b>	3,924

In accordance with IAS 19, *Employee Benefits*, the pension expense recognised in the Group's income statement for these key management personnel amounted to €198,000 (2009: €325,000) compared to the cash contributions above of €465,000 (2009: €462,000). The actuarial loss recognised in the statement of comprehensive income in respect of the pension benefits of these key management personnel for 2010 amounted to €359,000 (2009: €2,063,000). Details of the remuneration of the Company's individual directors, together with the number of Fyffes plc shares owned by them and their outstanding share options are set out in the compensation committee report on page 34 to 38.

### *Related party transactions with joint ventures and associates*

The Group trades in the normal course of its business, in some situations under long term supply contracts, with its joint ventures and associates. The Group also leases premises from its 40% owned associate, Balmoral International Land plc (see note 23). A summary of transactions with these related parties is as follows:

	<b>2010</b>	2009	<b>2010</b>	2009
	<b>Revenue</b>	Revenue	<b>Purchases</b>	Purchases
	<b>€'000</b>	€'000	<b>€'000</b>	€'000
Joint ventures	<b>90,383</b>	85,535	<b>950</b>	1,235
Associates	<b>268</b>	398	<b>2,621</b>	2,564
	<b>90,651</b>	85,933	<b>3,571</b>	3,799

The amounts due from and to joint ventures and associates at the year end are disclosed, in aggregate, in notes 16 and 21 respectively. The Group's significant joint ventures and associates are set out on pages 107 and 108.

# Notes to the Group Financial Statements

for the financial year ended 31 December 2010

## 29. Derivatives and other financial instruments

### Fair values of financial assets and liabilities

In respect of the financial assets and liabilities below, the following table sets out the carrying amount in the Group balance sheet and their respective fair values:

	Note	Designated at fair value €'000	Loans & receivables €'000	Available for sale €'000	Liabilities at amortised cost €'000	Total carrying amount €'000	Fair value €'000
<b>31 December 2010</b>							
Equity investments	13	-	-	15	-	15	15
Trade and other receivables	16	-	61,928	-	-	61,928	61,928
Hedging instruments	29	960	-	-	-	960	960
Cash and cash equivalents and short term deposits	17	-	40,040	-	-	40,040	40,040
<b>Financial assets</b>		<b>960</b>	<b>101,968</b>	<b>15</b>	<b>-</b>	<b>102,943</b>	<b>102,943</b>
Trade payables and other payables	21	-	-	-	(68,032)	(68,032)	(68,032)
Interest bearing loans and borrowings	20	-	-	-	(2,953)	(2,953)	(2,953)
<b>Financial liabilities</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>(70,985)</b>	<b>(70,985)</b>	<b>(70,985)</b>
<b>31 December 2009</b>							
Equity investments	13	-	-	15	-	15	15
Trade and other receivables	16	-	59,693	-	-	59,693	59,693
Hedging instruments	29	1,833	-	-	-	1,833	1,833
Cash and cash equivalents and short term deposits	17	-	44,447	-	-	44,447	44,447
Financial assets		1,833	104,140	15	-	105,988	105,988
Trade and other payables	21	-	-	-	(65,356)	(65,356)	(65,356)
Interest bearing loans and borrowings	20	-	-	-	(7,822)	(7,822)	(7,822)
Financial liabilities		-	-	-	(73,178)	(73,178)	(73,178)

# Notes to the Group Financial Statements

for the financial year ended 31 December 2010

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## 29. Derivatives and other financial instruments *(continued)*

### **Risk exposures**

The Group's multinational operations expose it to different financial risks that include foreign exchange rate risks, credit risks, liquidity risks and interest rate risks. Fyffes has a risk management programme in place which seeks to limit the impact of these risks on the financial performance of the Group as explained below. The Board has determined the policies for managing these risks. It is the policy of the Board to manage these risks in a non-speculative manner.

### *Foreign exchange risk*

While much of the Group's operations are carried out in Eurozone economies, it also has significant operations in the UK and, as a result, the consolidated balance sheet is exposed to Sterling currency fluctuations. The Group also has substantial operations in Central and South America and the US. The Group has large transactional currency risk as a significant portion of costs, particularly cost of fruit, shipping and fuel, are routinely denominated in US Dollars. The Group uses forward foreign exchange contracts and options to hedge some of its US Dollar risk, all currently with a maturity of less than two years from the year end. The percentage of estimated future purchases that are hedged can vary at any point in time and depends on prevailing market conditions.

These currency risks are monitored by the Group's Treasury Committee on an ongoing basis and managed as deemed appropriate by utilising a combination of spot and forward currency contracts and foreign currency options. The Group does not enter spot or forward contracts on a speculative basis.

### *Credit and liquidity risk*

The Group has detailed procedures for monitoring and managing the credit risk related to its trade receivables including the use of credit limits and weekly reporting and review by senior management of all trade receivables. There is not a significant concentration of risk in a small number of customers and the Group's bad debt experience is relatively good. Cash and short term bank deposits are usually invested with institutions of the highest credit rating, with limits on amounts held with individual banks or institutions at any one time. It is also the policy of the Group to have adequate committed undrawn facilities available at all times to cover unanticipated financing requirements. The maximum exposure to credit risk is represented by the carrying amount of the financial assets in the balance sheet.

### *Interest rate risk*

The Group's balance sheet contains both interest bearing assets and interest bearing liabilities. At 31 December 2010, the Group had gross cash balances of €40 million (2009: €44.4 million) and gross debt of €3 million (2009: €7.8 million). This net cash position of €37.1 million (2009: €36.6 million) means the Group has been relatively insulated from the effects of the global credit crisis. In general, the approach employed by the Group to manage its interest rate exposure is to maintain the majority of its cash, short term bank deposits and interest bearing borrowings on floating rates. Rates are generally fixed for relatively short periods in order to match funding requirements while being able to benefit from opportunities due to movements in longer term rates.

# Notes to the Group Financial Statements

for the financial year ended 31 December 2010

## 29. Derivatives and other financial instruments (continued)

### Accounting for derivatives and hedging activities

The fair value of derivatives is set out in the following table:

	<b>Assets</b>	<b>Liabilities</b>
	<b>2010</b>	<b>2010</b>
	<b>€'000</b>	<b>€'000</b>
Forward fuel contracts	<b>68</b>	-
Forward currency contracts	<b>1,591</b>	<b>(699)</b>
	<b>1,659</b>	<b>(699)</b>
	Assets	Liabilities
	2009	2009
	€'000	€'000
Forward fuel contracts	-	(132)
Forward currency contracts	2,149	(184)
	2,149	(316)

The accounting treatment of derivatives depends on their designation as hedges. The Group has designated hedges of highly probable forecasted future income or expenses as cash flow hedges. In order to qualify for hedge accounting, the Group is required to document the relationship between the items being hedged and the hedging instrument and demonstrate, at inception, that the hedge relationship will be highly effective on an ongoing basis. The hedge relationship must be tested for effectiveness at subsequent reporting dates.

Gains and losses on cash flow hedges that are determined to be highly effective are recognised in equity to the extent that they are actually effective. When the forecasted transaction occurs, the gains or losses deferred in equity are released to the income statement. Ineffective portions of the gain or loss on each hedging instrument are recognised immediately in the income statement. The cash flows with respect to the cash flow hedges are expected to occur in the two years following the balance sheet date and relate to hedges of produce and fuel purchases.

The following table indicates the periods in which the cash flows associated with derivatives that are cash flow hedges are expected to occur.

	2010				2009			
	Total	<6 months	6-12 months	1-2 years	Total	<6 months	6-12 months	1-2 years
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Forward fuel contracts	<b>1,978</b>	<b>989</b>	<b>989</b>	-	3,588	909	909	1,770
Foreign currency contracts	<b>43,410</b>	<b>19,807</b>	<b>13,726</b>	<b>9,877</b>	99,828	43,728	43,760	12,340
	<b>45,388</b>	<b>20,796</b>	<b>14,715</b>	<b>9,877</b>	103,416	44,637	44,669	14,110

# Notes to the Group Financial Statements

for the financial year ended 31 December 2010

## 29. Derivatives and other financial instruments (continued)

At the balance sheet date, these contracts represented 9.5% (2009: 26%) of forecasted dollar purchases for the following period and 2.6% (2009: 4%) for 2012. The periods in which cash flows associated with derivatives that are cash flow hedges are expected to impact profit and loss are not materially different to the periods in which the cash flows actually occur, due to the short time lag between the purchase of US Dollar denominated inputs and the subsequent sale of the goods.

During 2010, a credit of €4,494,000 (2009: charge of €28,919,000) was recognised in the hedging reserve in respect of derivative instruments. Of this, a credit of €5,367,000 (2009: charge of €15,305,000) was recycled through the income statement in respect of contracts maturing in the year (see Statement of Comprehensive Income).

### Interest risk

The interest rate profile of the Group's interest bearing financial instruments was:

	2010	2009
	€'000	€'000
<i>Variable rate:</i>		
Bank loans/overdrafts	<b>(1,654)</b>	(7,294)
Cash and cash equivalents including short term deposits	<b>40,040</b>	44,447
	<b>38,386</b>	37,153
<i>Fixed rate:</i>		
Interest bearing other payables	<b>(3,943)</b>	(4,182)
Finance leases	<b>(1,299)</b>	(528)
	<b>(5,242)</b>	(4,710)

Bank overdrafts in certain wholly owned subsidiaries amounting to €1,254,000 at 31 December 2010 are guaranteed by Fyffes plc. There were no bank loans outstanding at 31 December 2010 in any of the Group's wholly owned subsidiaries. Bank loans outstanding in non-wholly owned subsidiaries at 31 December 2010 comprise a US Dollar denominated loan of US\$0.5 million (€0.4 million) at a rate of 7%. At 31 December 2010, the Group had net cash balances of €37.1 million (2009: €36.6 million).

### Cash flow sensitivity analysis for variable rate instruments

At 31 December 2010, the average interest rate being earned on the Group's cash balances was 1% (2009: 2%) and the average rate paid on its debt was 7% (2009: 7%).

An increase or decrease of 50 basis points in interest rates at the reporting date would have had the following effect on profit and loss and equity. This analysis assumes that all other variables, in particular foreign exchange rates, remain constant.

# Notes to the Group Financial Statements

for the financial year ended 31 December 2010

## 29. Derivatives and other financial instruments (continued)

	Profit & Loss	
	50 Point Increase	50 Point Decrease
	€'000	€'000
<i>Combined</i>		
31 December 2010 – Variable rate instruments	(157)	(528)
31 December 2009 – Variable rate instruments	(29)	(395)

### Liquidity risk

2010	Carrying amount	Contractual cash flows	<6 Months	6-12 Months	+1 Year
	€'000	€'000	€'000	€'000	€'000
Bank loans and overdrafts	1,654	1,654	1,347	-	307
Finance leases	1,299	1,341	399	399	543
Trade and other payables – current	64,276	64,276	64,276	-	-
Trade and other payables – non-current	1,884	1,884	-	-	1,884
Non-trade payable due to joint venture	1,872	1,872	1,872	-	-
Hedging instruments	(960)	45,388	20,796	14,715	9,877
	<b>70,025</b>	<b>116,415</b>	<b>88,690</b>	<b>15,114</b>	<b>12,611</b>
<b>2009</b>					
	Carrying amount	Contractual cash flows	<6 Months	6-12 Months	+1 Year
	€'000	€'000	€'000	€'000	€'000
Bank loans and overdrafts	7,294	7,294	6,927	15	352
Finance leases	528	551	121	122	308
Trade and other payables – current	63,016	63,016	63,016	-	-
Trade and other payables – non-current	2,029	2,029	-	-	2,029
Non-trade payable due to joint venture	311	311	311	-	-
Hedging instruments	(1,833)	103,416	44,637	44,669	14,110
	<b>71,345</b>	<b>176,617</b>	<b>115,012</b>	<b>44,806</b>	<b>16,799</b>

Bank overdrafts are repayable on demand. The bank loans outstanding at 31 December 2010 amounting to €358,000 (2009: €382,000) are repayable over 30 years.

# Notes to the Group Financial Statements

for the financial year ended 31 December 2010

## 29. Derivatives and other financial instruments (continued)

### Credit risk

The carrying amount of financial assets represents the maximum credit exposure. The following table details the aging of trade receivables and trade receivables due from joint ventures:

	2010		2009	
	Gross €'000	Impairment €'000	Gross €'000	Impairment €'000
Not past due	43,182	-	40,471	-
Past due 0-30 days	3,474	-	4,330	(44)
Past due 31-120 days	974	(539)	609	(453)
Past due 121-365 days	76	(76)	-	-
Past due +365 days	131	(131)	-	-
<b>Total</b>	<b>47,837</b>	<b>(746)</b>	45,410	(497)

The following table details the aging of other receivables including loans and advances to suppliers and non-trade balances with joint ventures:

	2010		2009	
	Gross €'000	Impairment €'000	Gross €'000	Impairment €'000
Not past due	13,470	(5,332)	11,344	(3,812)
Past due +365 days	-	-	107	(107)
<b>Total</b>	<b>13,470</b>	<b>(5,332)</b>	11,451	(3,919)

Analysis of movement in impairment provisions:

	2010		2009	
	Trade receivables €'000	Other receivables €'000	Trade receivables €'000	Other receivables €'000
At beginning of year	(497)	(3,919)	(232)	(1,642)
Increase	(285)	(3,237)	(288)	(2,830)
Released/utilised	93	1,973	25	674
Foreign exchange	(57)	(149)	(2)	(121)
<b>At end of year</b>	<b>(746)</b>	<b>(5,332)</b>	(497)	(3,919)

# Notes to the Group Financial Statements

for the financial year ended 31 December 2010

## 29. Derivatives and other financial instruments (continued)

### Currency risk

The following table details the Group's exposure to foreign currency risk at the balance sheet date.

	2010			2009		
	Euro €'000	Sterling €'000	US Dollar €'000	Euro €'000	Sterling €'000	US Dollar €'000
Trade receivables	15	196	-	15	131	786
Other receivables	-	24	3,363	-	14	6,038
Cash and cash equivalents	-	892	3,075	-	1,512	882
Interest bearing loans	-	(29)	-	-	-	(2,078)
Trade payables	-	(5)	(15,729)	-	(5)	(16,277)
Other payables	-	(57)	(375)	-	(433)	(709)
Hedging instruments	-	343	618	-	605	1,228
	<b>15</b>	<b>1,364</b>	<b>(9,048)</b>	<b>15</b>	<b>1,824</b>	<b>(10,130)</b>

### Sensitivity analysis

A 5% strengthening or weakening of the Euro against the US Dollar and Sterling, based on outstanding assets and liabilities at year end, would have increased/(decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	5% Strengthening		5% Weakening	
	Equity €'000	Profit & Loss €'000	Equity €'000	Profit & Loss €'000
<b>31 December 2010</b>				
US Dollar	(4,177)	681	4,617	(752)
Sterling	(953)	(953)	1,053	1,053
<b>31 December 2009</b>				
US Dollar	(4,603)	254	5,088	(281)
Sterling	(69)	(69)	76	76

### Estimation of fair values

Set out below are the major methods and assumptions used in estimating the fair values of the financial assets and liabilities disclosed above.

### Equity investments

When market values are available, fair values are determined by reference to the bid market price for such investments without any deduction for transaction costs. When market values are not available, the fair values have been determined based on expected future cash flows at current interest rates and exchange rates.

# Notes to the Group Financial Statements

for the financial year ended 31 December 2010

## 29. Derivatives and other financial instruments *(continued)*

### *Short term bank deposits and cash and cash equivalents*

For short term bank deposits and cash and cash equivalents, with a remaining maturity of less than six months, the nominal amount is deemed to reflect fair value.

### *Trade and other receivables / payables*

For receivables and payables with a remaining life of less than six months or demand balances, the nominal amount is deemed to reflect fair value. All other receivables and payables are discounted to determine the fair value.

### *Derivatives (currency options and forward currency or fuel contracts)*

Currency options are marked to market using quotes from financial institutions. Forward currency or fuel contracts are either marked to market using market prices or by discounting the contractual forward price and deducting the current spot rate.

### *Interest bearing loans and borrowings*

For interest bearing loans and borrowings with a contractual repricing date of less than one year, the nominal amount is deemed to reflect fair value. For loans with a repricing date of greater than one year, the fair value is calculated based on the expected future principal and interest cash flows.

### *Fair value hierarchy*

In accordance with IFRS 7, *Financial Instruments: Disclosures*, the Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 2: directly observable market inputs other than quoted prices for similar instruments.

## 30. Accounting estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses.

Management discussed with the audit committee the development, selection and disclosure of the Groups' critical accounting policies and estimates and the application of these policies and estimates.

Particular areas which are subject to accounting estimates and judgements in these financial statements are areas such as impairment testing, post employment benefits including discount rates, fair values of properties, fair values of biological assets, carrying value of investments, impairment provisions and in relation to judgemental provisions and accruals.

Impairment testing of assets, particularly of goodwill and intangibles, involves estimating the future cash flows for a cash generating unit and an appropriate discount rate to determine a recoverable value. The estimation of employee benefit costs requires the use of actuaries and the determination of appropriate assumptions such as discount rates and expected future rates of return as set out in note 26.

## 31. Subsequent events

On 26 January 2011, Fyffes announced that it had acquired a 33.3% stake in Fruchtimport vanWylick GmbH, the German fresh produce distributor and service provider.

# Company Financial Statements

for the financial year ended 31 December 2010

## Balance Sheet

	<i>Notes</i>	<b>2010</b>	2009
		<b>€'000</b>	€'000
<b>Assets</b>			
<b>Non-current</b>			
Property, plant and equipment	32	<b>119</b>	221
Equity investments	33	<b>265,901</b>	265,901
Deferred tax asset		<b>189</b>	380
<b>Total non-current assets</b>		<b>266,209</b>	266,502
<b>Current</b>			
Trade and other receivables	34	<b>168,596</b>	161,934
Cash and cash equivalents	35	<b>13,021</b>	30,928
<b>Total current assets</b>		<b>181,617</b>	192,862
<b>Total assets</b>		<b>447,826</b>	459,364
<b>Equity</b>			
Called-up share capital		<b>21,693</b>	21,863
Share premium		<b>98,999</b>	98,999
Other reserves	36	<b>60,880</b>	57,521
Retained earnings		<b>111,725</b>	125,445
<b>Total equity</b>		<b>293,297</b>	303,828
<b>Current liabilities</b>			
Interest bearing loans and borrowings	37	<b>42</b>	125
Trade and other payables	38	<b>154,487</b>	155,411
<b>Total current liabilities</b>		<b>154,529</b>	155,536
<b>Total equity and liabilities</b>		<b>447,826</b>	459,364

*On behalf of the Board*

**D V McCann**  
Executive Chairman

**T G Murphy**  
Finance Director

2 March 2011

# Company Financial Statements *(continued)*

for the financial year ended 31 December 2010

## Statement of Movement in Equity

	Share capital €'000	Share premium €'000	Capital conversion reserve €'000	Capital redemption reserve €'000	Share option reserve €'000	Own shares reserve €'000	Retained earnings €'000	Total €'000
Balance at 1 January 2009	21,859	98,999	1,034	70,662	1,110	(15,404)	191,044	369,304
Total comprehensive income	-	-	-	-	-	-	(60,247)	(60,247)
Share options exercised	4	-	-	-	-	-	-	4
Equity settled transactions	-	-	-	-	119	-	-	119
Dividends to shareholders	-	-	-	-	-	-	(5,352)	(5,352)
Balance at 31 December 2009	21,863	98,999	1,034	70,662	1,229	(15,404)	125,445	303,828
Total comprehensive income	-	-	-	-	-	-	278	278
Share options exercised	66	-	-	-	-	-	-	66
Equity settled transactions	-	-	-	-	163	-	-	163
Dividends to shareholders	-	-	-	-	-	-	(5,702)	(5,702)
Own shares acquired	-	-	-	-	-	(5,336)	-	(5,336)
Cancellation of treasury shares	(236)	-	-	236	-	8,296	(8,296)	-
<b>Balance at 31 December 2010</b>	<b>21,693</b>	<b>98,999</b>	<b>1,034</b>	<b>70,898</b>	<b>1,392</b>	<b>(12,444)</b>	<b>111,725</b>	<b>293,297</b>

# Company Financial Statements *(continued)*

for the financial year ended 31 December 2010

## Cash Flow Statement

	2010	2009
	€'000	€'000
<b>Operating activities</b>		
Profit/(loss) for financial year	278	(60,247)
<i>Adjustments for:</i>		
Taxation	15	(640)
Depreciation on property, plant and equipment	102	135
Equity settled compensation	163	119
Interest income	(603)	(1,217)
Interest expense	-	34
Dividend income from equity investments	(2,411)	-
Movement in trade and other receivables	(6,491)	25,621
Movement in trade payables, other payables and provisions	(924)	24,361
Interest received	608	1,732
Interest paid	-	(34)
<b>Cash (outflow) from operating activities</b>	<b>(9,263)</b>	<b>(10,136)</b>
<b>Investing activities</b>		
Acquisition of property, plant and equipment	-	(16)
Dividend income from equity investments	2,411	-
<b>Cash inflow/(outflow) from investing activities</b>	<b>2,411</b>	<b>(16)</b>
<b>Financing activities</b>		
Proceeds from the issue of share capital	66	4
Purchase of own shares	(5,336)	-
Dividends to Company equity shareholders	(5,702)	(5,352)
<b>Cash (outflow) from financing activities</b>	<b>(10,972)</b>	<b>(5,348)</b>
Net (decrease) in cash and cash equivalents	(17,824)	(15,500)
Cash and cash equivalents, including bank overdrafts at beginning of year	30,803	46,293
Effect of exchange rate fluctuations on cash and cash equivalents	-	10
<b>Cash and cash equivalents, including bank overdrafts at end of year</b>	<b>12,979</b>	<b>30,803</b>

# Notes to the Company Financial Statements

for the financial year ended 31 December 2010

## 32. Property, plant and equipment

	<b>Plant and equipment 2010 €'000</b>	Plant and equipment 2009 €'000
<b>Cost</b>		
Balance at beginning of year	<b>1,968</b>	1,952
Additions	-	16
Balance at end of year	<b>1,968</b>	1,968
<b>Depreciation and impairment losses</b>		
Balance at beginning of year	<b>1,747</b>	1,612
Depreciation charge for the year	<b>102</b>	135
Balance at end of year	<b>1,849</b>	1,747
<b>Carrying amount</b>		
Balance at beginning of year	<b>221</b>	340
<b>Balance at end of year</b>	<b>119</b>	221

## 33. Equity investments

	<b>Investment in subsidiaries €'000</b>	<b>Investment in joint ventures &amp; associates €'000</b>	<b>Other investments €'000</b>	<b>Total €'000</b>
Balance at 1 January 2009	265,857	32	12	265,901
Additions	-	-	-	-
Balance at 31 December 2009	265,857	32	12	265,901
Additions	-	-	-	-
<b>Balance at 31 December 2010</b>	<b>265,857</b>	<b>32</b>	<b>12</b>	<b>265,901</b>

The significant subsidiaries, joint ventures and associates are set out on pages 107 and 108.

# Notes to the Company Financial Statements

for the financial year ended 31 December 2010

## 34. Trade and other receivables

	2010	2009
	€'000	€'000
<b>Current</b>		
Amounts due from subsidiaries	168,289	159,979
Amounts due from joint ventures	36	1,537
Other receivables	271	418
	<b>168,596</b>	161,934

## 35. Cash and cash equivalents

	2010	2009
	€'000	€'000
Call deposits	13,021	30,928
Cash and cash equivalents per balance sheet	13,021	30,928
Bank overdrafts	(42)	(125)
<b>Cash and cash equivalents in the cash flow statement</b>	<b>12,979</b>	30,803

## 36. Other reserves

	2010	2009
	€'000	€'000
Capital conversion reserve	1,034	1,034
Capital redemption reserve	70,898	70,662
Share option reserve	1,392	1,229
Own shares reserve	(12,444)	(15,404)
	<b>60,880</b>	57,521

## 37. Interest bearing loans and borrowings

	2010	2009
	€'000	€'000
<b>Current</b>		
Overdrafts	42	125

# Notes to the Company Financial Statements

for the financial year ended 31 December 2010

## 38. Trade and other payables

	2010	2009
	€'000	€'000
<b>Current</b>		
Amounts payable to subsidiaries	148,617	148,902
Accruals and deferred income	5,552	6,172
VAT	33	23
Other payables	285	314
	<b>154,487</b>	155,411

## 39. Operating leases

	2010	2009
	€'000	€'000
<b>Leases as lessee</b>		
Less than one year	620	620
Between one and five years	2,480	2,480
More than five years	88	723
	<b>3,188</b>	3,823
<b>Leases as lessor</b>		
Less than one year	150	150

During 2010, €620,000 (2009: €620,000) rent was paid to the 40% owned associate, Balmoral International Land plc. During the financial year, €796,687 (2009: €774,801) was recognised as rental income in the income statement.

## 40. Related party transactions

The Company has a related party relationship with its subsidiaries, joint ventures, associates and with the directors of the Company. Details of the remuneration of the Company's individual directors, together with the number of Fyffes plc shares owned by them and their outstanding share options are set out in the compensation committee report on pages 34 to 38.

	2010	2009
	€'000	€'000
Dividends received from subsidiaries	2,411	-
Net income from subsidiaries	180	177

# Notes to the Company Financial Statements

for the financial year ended 31 December 2010

## 41. Employee benefits

The aggregate employee costs for the Company were as follows:

	<b>2010</b>	2009
	<b>€'000</b>	€'000
Wages and salaries (including termination payments)	<b>3,105</b>	4,006
Social security contribution	<b>254</b>	336
Pension costs – defined benefit schemes	<b>490</b>	511
Share option expense	<b>163</b>	119
	<b>4,012</b>	4,972

The average numbers of employees providing direct services to the Company but employed by other subsidiary companies in 2010 was 11 (2009: 14).

## 42. Auditor's remuneration

Fees paid to the auditor of the parent entity of the Group amounted to:

	<b>2010</b>	2009
	<b>€'000</b>	€'000
Audit services	<b>10</b>	10
Taxation services	<b>12</b>	12
Other non-audit services	<b>2</b>	2

## 43. Financial instruments

The average interest rate at the year end on the Company's net cash was 1.20% (2009: 2%). At 31 December 2010, an increase of 50 basis points in interest rates would have reduced profit by €202,000 (2009: €241,000). A 50 basis point decrease would have reduced profit by €332,000 (2009: €549,000). At the year end, all trade and other payables and interest bearing loans had contractual cash flows equalling their carrying value and were all due within six months. The same applied at 31 December 2009. At 31 December 2010 and 31 December 2009, all amounts due from subsidiaries, joint ventures and other receivables were not past due. At 31 December 2010, the Company had net assets of €2,675,000 denominated in Sterling (2009: €2,344,000) and €31,929,000 denominated in US Dollars (2009: €35,815,000). At the year end, a 5% strengthening of Euro versus Sterling would have reduced profit by €127,000 (2009: €112,000) and a 5% weakening of Euro versus Sterling would have increased profit by €140,000 (2009: €123,000). At the year end, a 5% strengthening of the Euro versus US Dollar would have reduced profit by €1,520,000 (2009: €1,705,000) and a 5% weakening of Euro versus US Dollar would have increased profit by €1,680,000 (2009: €1,885,000).

# Notes to the Group Financial Statements

for the financial year ended 31 December 2010

## 44. Significant subsidiaries, joint ventures and associates

The principal areas of operation are the countries of incorporation.

Subsidiaries	Principal activity	Group share %
<b><i>Incorporated in Ireland</i></b>		
Banana Importers of Ireland Limited*	Tropical produce distributor	87.2
Fyffes International Holdings Limited*	Investment holding company	100
Fyffes International	Tropical produce procurement	100
Fyffes Fruit Procurement Limited	Tropical produce procurement	76
Fyffes Tropical Ireland Limited	Tropical produce distributor	100
Fyffes Atlantic Shipping Limited	Distribution	100
Fyffes Bananas (Swords) Limited	Tropical produce distributor	100

The registered office of all the above is 29 North Anne Street, Dublin 7, Ireland.

<b><i>Incorporated in the United Kingdom</i></b>		
FII Holdings Limited*	Investment holding company	100
Fyffes Group Limited	Tropical produce distributor	100

The registered office of all of the above is Houndmills Industrial Estate, Houndmills Road, Basingstoke, Hampshire RG21 6XL, United Kingdom.

<b><i>Incorporated in The Netherlands</i></b>		
Fyffes BV (formerly Velleman & Tas International)	Tropical produce distributor	100
Fyffes Holdings BV	Investment holding company	100

The registered office of all of the above is Marconistraat 19, 3029 AE Rotterdam, The Netherlands.

<b><i>Incorporated in Germany</i></b>		
Fyffes GmbH*	Investment holding company	100
J A Kahl & Co	Investment holding company	100

The registered office of all of the above is Bauernbrauweg 1, 81369, Munich, Germany.

<b><i>Incorporated in the United States of America</i></b>		
Fyffes Inc	Investment holding company	100
Fyffes Tropical Produce LLC (formerly Cobalt LLC)	Tropical produce distributor	100
Sol Marketing Company Inc	Tropical produce distributor	60

The registered office of Fyffes Inc and Fyffes Tropical Produce LLC is 550 Biltmore Way, Suite 730, Coral Gables, Florida, 33134, USA. The registered office of Sol Marketing Company Inc is 1751 SW 8th Street, Pompano Beach, Florida, 33069, USA.

<b><i>Incorporated in Jersey</i></b>		
Fyffes Windward Holdings Limited*	Investment holding company	100
Fyffes Caribbean Limited	Investment holding company	100

The registered office of all of the above is Barette Commercial Centre, Route du Mont Mado, St John, Jersey.

# Notes to the Group Financial Statements

for the financial year ended 31 December 2010

## 44. Significant subsidiaries, joint ventures and associates (continued)

<b>Incorporated in Costa Rica</b>		
Ananas Export Company SA	Pineapple production	100

The registered office is San Rafael de Rio Cuarto Grecia, Alajuela, Costa Rica.

<b>Associates</b>	<b>Principal activity</b>	<b>Group share %</b>
<b>Incorporated in Ireland</b>		
Balmoral International Land plc	Property holding company	40

The registered office is 1 Stokes Place, St Stephen's Green, Dublin 2, Ireland.

<b>Joint Ventures</b>	<b>Principal activity</b>	<b>Group share %</b>
<b>Incorporated in the United Kingdom</b>		
Windward Isles Banana Company (UK) Limited	Investment holding company	50

The registered office is 3700 Parkway, Solent Centre, Whiteley, Fareham, Hampshire, PO15 7AL, United Kingdom.

<b>Incorporated in Germany</b>		
Internationale Fruchthandels Gesellschaft Weichert & Co KG	Tropical produce distributor	80(i)

The registered office is Banksstrabe 28, 20097, Hamburg, Germany.

<b>Incorporated in the United States of America</b>		
Turbana Corporation	Tropical produce distributor	50

The registered office is 550 Biltmore Way, Suite 730, Coral Gables, FL 33134, USA.

A full list of subsidiaries, joint ventures and associates is included with the Company's Annual Return filed with the Companies Registration Office, Dublin, Ireland.

\* *Subsidiaries owned directly by Fyffes plc.*

(i) *While the Group has a participating interest in excess of 50% in this entity, it shares control with other partners.*

# Notice of Annual General Meeting

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**NOTICE IS HEREBY GIVEN** that the Annual General Meeting (“AGM”) of Fyffes plc (the “Company”), which is listed on the AIM market in London and the ESM market in Dublin, will be held at The D4 Berkeley Hotel, Ballsbridge, Dublin 4 on 12 May 2011 at 11.00am for the following purposes:

1. To receive and consider Statements of Account for the year ended 31 December 2010 and the reports of the directors and auditor thereon.
2. To confirm the interim dividend and declare a final dividend of 1.2 cent per share on the ordinary shares for the year ended 31 December 2010.
3. By separate resolutions to re-elect as directors the following who retire in accordance with the Articles of Association and, being eligible, offer themselves for re-election:
  - (A) D V McCann
  - (B) J D McCourt
4. To authorise the directors to fix the remuneration of the auditor for the year ending 31 December 2011.

**As special business to consider and, if thought fit, pass the following resolutions:-**

**5. AS AN ORDINARY RESOLUTION:**

“That the directors of AIM and ESM listed Fyffes plc are hereby unconditionally authorised to exercise all the powers of the Company to allot relevant securities (within the meaning of section 20 of the Companies (Amendment) Act, 1983) up to an aggregate nominal amount of €6,523,503 (108,725,051 shares) provided that this authority shall expire at the earlier of the close of business on the date of the next AGM after the passing of this resolution or 12 August 2012 provided however that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the directors may allot relevant securities in pursuance of such offer or agreement as if the authority hereby conferred had not expired.”

**6. AS A SPECIAL RESOLUTION:**

“That pursuant to Article 7(d) of the Articles of Association and Section 24 of the Companies (Amendment) Act, 1983 the directors of AIM and ESM listed Fyffes plc are hereby empowered to allot equity securities (as defined by Section 23 of that Act) for cash pursuant to the authority to allot relevant securities conferred on the directors by resolution 5 above in the notice of this meeting as if sub-section (1) of the said Section 23 did not apply to any such allotment provided that this power shall be limited to the matters provided for in Article 7(d)(i) and (ii) of the Articles of Association and provided further that the aggregate nominal value of any shares which may be allotted pursuant to Article 7(d)(ii) may not exceed €1,976,819 (32,946,985 shares) representing 10% of the nominal value of the issued share capital.”

**7. AS A SPECIAL RESOLUTION:**

“That the Company and/or any subsidiary (as defined by Section 155 of the Companies Act, 1963) of the Company is hereby generally authorised to make market purchases (as defined by Section 212 of the Companies Act, 1990) of shares of any class in the Company (“shares”) on such terms and conditions and in such manner as the directors may determine from time to time but subject to the provisions of the Companies Act, 1990 and to the following restrictions and provisions:

- (a) the maximum number of ordinary shares (as defined in the Articles of Association of the Company) authorised to be acquired pursuant to this resolution shall not exceed 32,946,985 (representing 10% of the issued share capital);
- (b) the minimum price which may be paid for any share shall be an amount equal to the nominal value thereof;

## Notice of Annual General Meeting *(continued)*

(c) the maximum price which may be paid for any share (a "relevant share") shall be an amount equal to 105% of the average of the five amounts resulting from determining whichever of the following (i), (ii) or (iii) specified below in relation to the shares of the same class as the relevant share shall be appropriate for each of the five business days immediately preceding the day on which the relevant share is purchased, as determined from the information published in the Irish Stock Exchange Daily Official List reporting the business done on each of those five business days:

- (i) if there shall be more than one dealing reported for the day, the average of the prices at which such dealings took place; or
- (ii) if there shall be only one dealing reported for the day, the price at which such dealing took place; or
- (iii) if there shall not be any dealing reported for the day, the average of the high and low market guide prices for that day;

and if there shall be only a high (but not a low) or a low (but not a high) market guide price reported, or if there shall not be any market guide price reported, for any particular day then that day shall not count as one of the said five business days for the purposes of determining the maximum price. If the means of providing the foregoing information as to dealings and prices by reference to which the maximum price is to be determined is altered or is replaced by some other means, then a maximum price shall be determined on the basis of the equivalent information published by the relevant authority in relation to dealings on the Irish Stock Exchange or its equivalent;

(d) the authority hereby granted shall expire at the close of business on the date of the next AGM of the Company or 12 November 2012, whichever is the earlier, unless previously varied, revoked or renewed by special resolution in accordance with the provisions of Section 215 of the Companies Act, 1990. The Company or any such subsidiary may, before such expiry, enter into a contract for the purchase of shares which would or might be executed wholly or partly after such expiry and may complete any such contract as if the authority conferred hereby had not expired."

### 8. AS A SPECIAL RESOLUTION:

"That, subject to the passing of resolution 7, for the purposes of Section 209 of the Companies Act, 1990, the reissue price range at which any treasury shares (as defined by the said Section 209) for the time being held by the Company may be reissued off-market shall be as follows:-

- (a) The maximum price at which a treasury share may be reissued off-market shall be an amount equal to 120 per cent of the "appropriate price"; and
- (b) the minimum price at which a treasury share may be re-issued off-market shall be the nominal value of the share where such a share is required to satisfy an obligation under an employee share scheme (as defined in the Listing Rules of The Irish Stock Exchange Limited) operated by the Company or, in all other cases, an amount equal to 95% of the appropriate price.

For the purposes of this resolution the expression "appropriate price" shall mean the average of the five amounts resulting from determining whichever of the following (i), (ii) or (iii) specified below in relation to shares of the class of which such treasury share is to be reissued shall be appropriate in respect of each of the five business days immediately preceding the day on which the treasury share is reissued, as determined from information published in the Irish Stock Exchange Daily Official List reporting the business done in each of those five business days:-

- (i) if there shall be more than one dealing reported for the day, the average of the prices at which such dealings took place; or
- (ii) if there shall be only one dealing reported for the day, the price at which such dealing took place; or
- (iii) if there shall not be any dealing reported for the day, the average of the high or low market guide prices for the day;

and if there shall be only a high (but not a low) or a low (but not a high) market guide price reported, or if there shall not be any market guide price reported, for any particular day then that day shall not count as one of the said five business days for

## Notice of Annual General Meeting *(continued)*

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the purposes of determining the appropriate price. If the means of providing the foregoing information as to dealings and prices by reference to which the appropriate price is to be determined is altered or is replaced by some other means, then the appropriate price shall be determined on the basis of the equivalent information published by the relevant authority in relation to dealings on the Irish Stock Exchange or its equivalent.

The authority hereby conferred shall expire at the close of business on the day of the next AGM of the Company or 12 November 2012, whichever is the earlier, unless previously varied or renewed in accordance with the provisions of Section 209 of the Companies Act, 1990.”

**S Keenan**

**Secretary**

29 North Anne Street, Dublin 7

25 March 2011

# Notice of Annual General Meeting *(continued)*

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## Notes

1. A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote on his behalf. A proxy need not be a member of the Company. Appointment of a proxy will not preclude a member from attending and voting at the meeting should the member subsequently wish to do so. You may appoint more than one proxy provided that each proxy is appointed to exercise the rights attached to a different share or shares held by him. Should you wish to appoint more than one proxy, please read carefully the explanatory notes accompanying the Form of Proxy.
2. As a member, you have several ways to exercise your right to vote:
  - (a) By attending the Annual General Meeting in person;
  - (b) By appointing (either electronically or by returning a completed Form of Proxy) the Chairman or another person as a proxy to vote on your behalf;
  - (c) By appointing a proxy via the CREST System if you hold your shares in CREST.

In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other registered holder(s) and, for this purpose, seniority will be determined by the order in which the names stand in the register of members.

3. You may appoint the Chairman of the Company or another individual as your proxy. You may appoint a proxy by completing the enclosed Form of Proxy, making sure to sign and date the form at the bottom and return it to the Company's Registrars, Computershare Services (Ireland) Limited. If you are appointing someone other than the Chairman as your proxy, then you must fill in the contact details of your representative at the meeting on the Form of Proxy. If you appoint the Chairman or another person as a proxy to vote on your behalf, please make sure to indicate how you wish your votes to be cast by ticking the relevant boxes on the Form of Proxy.

Alternatively, a member may appoint a proxy or proxies electronically by logging on to the website of the registrars, Computershare Services (Ireland) Limited: at [www.computershare.ie](http://www.computershare.ie). Shareholders will be asked to enter the Meeting Control Number along with their Shareholder Reference Number and PIN Number, all of which are printed on your Form of Proxy and agree to certain conditions.

4. To be valid, forms of proxy duly signed together with the power of attorney or such other authority (if any) under which they are signed (or a certified copy of such power or authority) must be lodged with the Company's registrar, Computershare Services (Ireland) Limited, P.O. Box 954, Sandyford, Dublin 18 by not later than 11.00am on 10 May 2011.
5. The Company, pursuant to Regulation 14 of the Companies Act, 1990 (Uncertified Securities) Regulations, 1996, specifies that only those shareholders registered in the register of members of the Company as at close of business on 10 May 2011 (or in the case of an adjournment as at 48 hours before the time of the adjourned meeting) shall be entitled to attend and vote at the meeting in respect of the number of shares registered in their names at the time. Changes to entries in the register after that time will be disregarded in determining the right of any person to attend and/or vote at the meeting.
6. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the meeting and any adjournment(s) thereof by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST Proxy Instruction must be properly authenticated in accordance with Euroclear UK & Ireland Limited ("EUI")'s specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by Computershare Services (Ireland) Limited (ID 3RA50) by 11.00am on 10 May 2011. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp

## Notice of Annual General Meeting *(continued)*

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applied to the message by the CREST Applications Host) from which Computershare Services (Ireland) Limited is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means. CREST members and, where applicable, their CREST sponsors or voting service providers should note that EUI does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the CREST Regulations.

7. As of 25 March 2011 (being the latest practicable date prior to the publication of this notice), the outstanding share options issued by the Company would result in the issue of 10,299,998 new ordinary shares if such share options were to be exercised. Further the issue of all of these shares would represent approximately 3.0 % of the enlarged equity or 3.4%, if the Company were to exercise in full the proposed authority being sought in resolution 7 above to purchase its own shares.
8. Biographical details for the directors standing for re-election at the AGM are set out in the Annual Report. Each of the directors has been subject to the evaluation process recommended by the 2008 FRC Combined Code. On this basis, the Chairman and Board are pleased to recommend the re-election of those directors.
9. Copies of all documentation tabled before the AGM are available on the Company's website. Should you not receive a Form of Proxy, or should you wish to be sent copies of these documents, you may request this by telephoning the Company's registrar on (+353 1 216 3100) or by writing to the Company Secretary at the address set out above.

The Memorandum and Articles of Association of the Company is available at [www.fyffes.com](http://www.fyffes.com) and may also be inspected during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) at the registered office of the Company (i.e. Fyffes plc, 29 North Anne Street, Dublin 7, Ireland), up to and including the date of the AGM and at the AGM itself.



















[www.fyffes.com](http://www.fyffes.com)

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