

R&R Ice Cream Limited  
Report and Financial Statements  
31 December 2008

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COMPANIES HOUSE

Registered No. 05777981

## Corporate Information

### Directors

Brian Buchan  
Herman Theodor Dambach  
Scott Lane Graves  
Caleb Samuel Kramer  
James Scott Lambert  
Achim Schön

### Secretary

Andrew Finneran

### Auditors

KPMG LLP  
1 The Embankment  
Neville Street  
Leeds  
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### Bankers

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2nd Floor  
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### Solicitors

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### Registered Office

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# Contents

	Page
<b>Directors' report</b>	<b>4</b>
<b>Statement of Directors' responsibilities</b>	<b>9</b>
<b>Independent auditors' report</b>	<b>10</b>
<b>Consolidated financial statements</b>	
Consolidated income statement	12
Consolidated balance sheet	13
Consolidated statement of recognised income and expense	14
Consolidated statement of cash flows	15
Accounting policies	16
Notes to the consolidated financial statements	23
<b>Company only accounts</b>	
Company only balance sheet	43
Notes to the Company only accounts	44

## Directors' Report

The Directors present their report and the Group financial statements for the year ended 31 December 2008.

### Results and dividends

The Directors are pleased to report that in 2008 the Group has more than doubled its 2007 EBITDA with our European business more than quadrupling its 2007 EBITDA, albeit from a low base. In addition the business has generated free cash before acquisitions of €38.8 million in the year which has seen the external net debt drop from €332.4m when the Group came together in July 2006 to €153.1m at 31 December 2008 which is an excellent performance.

The Directors have presented the business performance before exceptional items, amortisation, non-cash interest and taxation. In the opinion of the Directors, this measure gives the users of these financial statements a better indication of the underlying performance of the Group than traditional statutory metrics, which we show as well. Under this measure, Group performance has improved from a loss of €11.6 million in 2007 to a profit of €36.7 million in 2008 which is again an excellent improvement.

The Group loss for the year under IFRS, after taxation, amounted to €12.2 million (2007: €36.2 million).

The Directors do not recommend payment of a dividend in line with its current practice.

### Principal activities

The Group's principal activity in the year was the production and sale of ice cream and frozen confectionery.

### Business review and future developments

#### Introduction

At the start of the year, the R&R Group (R&R Ice Cream Limited and its subsidiaries) comprised:

- R&R Europe (comprising R&R Germany (Roncadin Holdings GmbH and its subsidiaries) and R&R France (Roncadin Holdings SAS and its subsidiaries)),
- R&R UK (comprising Ruby Acquisitions Limited, Richmond Foods Limited and R&R Ice Cream UK Limited).

Since then, the main change in the structure of the Group was the 75% acquisition of Kelly's of Cornwall Limited and its subsidiaries ('Kelly's') in March 2008. Kelly's attracts a cash rate of sale that is amongst the best in the UK in its sectors of operation. The Directors believe that this acquisition presents the Group with an opportunity to expand the Kelly's distribution nationally, to expand Kelly's into alternative product bases and customers in which R&R specialise and to take advantage of more beneficial Group buying synergies.

Throughout 2008, we have benefited from the price increases we secured around the start of the year related to the significant ingredient and packaging cost price increases we experienced throughout the second half of 2007 and which hit the results of that year.

In 2008, we have also continued to transform R&R Europe's operations. The most notable operational changes in R&R Europe have been:

- 'Vegetable fat conversion' - this is the decision taken to change ice cream recipes from dairy fat-based ice-cream, which had recently suffered significant volatilities in cost price, to vegetable fat-based ice cream in line with the UK and most non-super premium brands. This was completed in spring 2008 and so we will continue to benefit from a full year effect of this into 2009.
- 'Transfer of Haltern' - this is the consolidation of our three manufacturing facilities in Germany into two sites, with the operations of our Haltern site being transferred to our existing sites in Osnabrück and Strückhausen. We have transferred certain plant and equipment from the Haltern facility to these two sites, whilst maintaining a seamless transition for our customers. This transfer was completed in winter 2008 and so we will continue to benefit from this throughout 2009.

The sales price increases and operational efficiencies, together with our exiting from unprofitable lines, have been the key drivers of increased profitability year on year (see results overleaf).

Internally, we now report the Group's performance using three distinct sub-Groups; R&R Europe, R&R UK and Kelly's. The Group strategy continues to be to grow the European private label business and to introduce ice cream brands which have brand premiums and values.

# Directors' Report (continued)

## Results

A summary of the profitability of the Group is presented below:

	2008 €000	2007 €000
<b>Turnover</b>	<b>446,520</b>	<b>436,756</b>
<b>EBITDA</b>	<b>71,208</b>	<b>33,179</b>
<b>EBITDA%</b>	<b>15.9%</b>	<b>7.6%</b>
Exceptional items (note 6)	(10,721)	(3,870)
Depreciation	(17,313)	(20,185)
Loss on disposal of fixed assets	(157)	-
Amortisation	(11,774)	(12,143)
<b>Result from operating activities</b>	<b>31,243</b>	<b>(3,019)</b>
Other net finance costs	(17,072)	(24,564)
<b>Result before non-cash interest and taxation</b>	<b>14,171</b>	<b>(27,583)</b>
Non-cash PIK interest to parent company	(24,500)	(17,663)
Net foreign exchange loss	(5,308)	(149)
Other non-cash interest (fair value of derivatives)	(5,681)	106
Taxation	9,087	9,073
<b>Loss for the period after tax</b>	<b>(12,231)</b>	<b>(36,216)</b>

Group turnover was €446.5 million, €9.8 million (2.2%) ahead of the prior year. The year-on-year improvement largely demonstrates the effect of the price increases we secured on the back of 2007 cost price increases in the early part of this year, although we did anticipate some reduction in volume as we withdrew from some unprofitable lines.

As we commented in last year's Directors' Report, 2007 was an extremely difficult trading period for R&R. Some of the poorest reported summer weather conditions across Europe coupled with unprecedented rises in ingredients prices adversely impacted Group EBITDA. 2008 has been a much more successful year and there is significant headroom in our banking covenants.

EBITDA for 2008 was more than double last year's figure with Europe quadrupling its EBITDA year on year. We have delivered significant EBITDA% improvement year on year (8.3 ppt improvement for the Group), particularly in Europe. The Directors do not believe that the weather throughout 2008 was especially conducive to ice cream sales, albeit we note it was better than the prior year. The Directors believe that the improvements have been principally sales price and operationally driven, and not due to the weather effect.

In line with our strategic business goals, the two parts of our business now return similar gross margins. In looking forward we believe we can acquire further ice cream businesses across Europe and improve their profits to similar levels as we integrate the business into the group.

Despite the year on year favourable transformation of R&R Europe, we have once again reviewed the anticipated future performance of our brands. As a result, it now appears that some of the growth we attributed to certain of our brands at acquisition is not likely to materialise, whereas other brands have significantly exceeded our expectations. Unfortunately, under IFRS, we are unable to retrospectively redistribute our original estimation of brand performance and so it has been necessary to impair our Botterbloom, Schatztruhe and Nasch brands, which in themselves are not performing badly, whilst not recognising an appreciation to the value of our better performing brands.

We are also pleased to report that we generated sufficient free cash to make a €7.5 million voluntary prepayment of our Second Lien debt and a €12.6 million voluntary prepayment of our Term Loan B.

The step-change in profitability we have delivered in Europe leaves the business in a strong position going into 2009.

## Directors' Report (continued)

### Foreign exchange reserve

Once again, the Euro strengthened relative to Sterling. Consequently, on consolidation of the UK Balance Sheet (reported in Pounds Sterling) into the Group Balance Sheet (reported in Euros), and the conversion of Euro denominated loan notes, a significant exchange loss arose which is recognised directly within reserves under IFRS. The following is a summary of the exchange reserve:

€000	€000	
151,875		UK opening net assets at opening rate (excludes EUR denominated ICO loans)
117,125		UK opening net assets at closing rate (excludes EUR denominated ICO loans)
	(34,750)	
6,375		UK current year P&L at average rate (excludes EUR denominated ICO loan interest)
5,363		UK current year P&L at closing rate (excludes EUR denominated ICO loan interest)
	(1,012)	
	(35,762)	Loss recognised directly in reserves in respect of UK
	(636)	Loss recognised directly in reserves in respect of Poland
	(36,398)	Total loss recognised directly in reserves (note 18)

### Key Performance Indicators ('KPIs')

The most important KPIs are the weekly KPIs. These were already in existence in the UK and were introduced into Europe in early 2007 and accurately illustrate the profitability of each site within the business. The accuracy of these has continued to improve throughout 2008 as this is an excellent management tool in shortening the interval of control looking at all areas of the income statement. We have already implemented the same KPI reporting into Kelly's. The management accounts are now standardised across the Group and KPIs are embedded into the organisation with many of the factory KPIs, in particular, measured on a daily basis.

Group management constantly monitors the performance of the operations compared to budget and forecast.

KPIs monitored on a daily basis are:

- Production volume
- Sales volume and value
- Order intake

KPIs monitored weekly/monthly are the above plus:

- Sales margins
- Profit and cash generation
- Net debt
- Variances to standard cost
- Food safety and quality
- Health and safety
- Service levels
- Stock levels
- Market share

### Principal risks and uncertainties

The Directors of the Group consider the potential impact of business risks at monthly Board meetings. Actions to mitigate the risks are also discussed.

## **Directors' Report (continued)**

The more significant risks and uncertainties faced by the Group are set out below.

**Fire or significant damage to a factory.** Whilst production can be switched to other sites across the Group, any significant damage to a factory unit will cause short term disruption.

**Seasonality.** The ice cream market is characterised by fluctuations in sales although these largely equalise out over a year. Ice cream sales are inextricably linked with the weather and therefore any climate changes have the potential to impact on business.

**Competition in the ice cream industry.** The Group operates in highly competitive markets with large profitable retail customers and its failure to compete effectively could result in a material adverse effect on its results.

**Economic conditions.** The Group derives the majority of its profits from sales activity in Germany and the UK. It is therefore sensitive to fluctuations in the economic conditions of these countries.

**Interest rates.** Typical of a leveraged business, interest rates could have a significant impact on the business profitability and it is a requirement that the Group hedges over 50% of its interest rate exposure (which has been increased voluntarily to 90% post-year end).

**Exchange rates.** Given that the Group reports in Euros, any strengthening of the Euro relative to Pounds Sterling would adversely affect the UK's contribution to Group profitability.

The Board has strategies to manage these risks and remains confident in the Group's ability to mitigate any significant effect.

### **Financial Risk Management Policies and Objectives**

The Group finances its activities with a combination of bank loans, shareholder loan notes, finance leases, cash and overdrafts. Other financial assets and liabilities arise directly from the Group's operating activities.

The main risks associated with the Group's financial assets and liabilities are set out as below:

The Group's functional currency is the Euro. Its UK-based operation buys certain goods and sells almost all goods denominated in Sterling. As a result the value of the Group's Sterling revenues, purchases, financial assets and liabilities and cash flows can be affected significantly by movements in the Sterling exchange rate. To a lesser extent due to the smaller size of the Polish business this is true of the Zloty.

The shareholder loan notes are denominated in Euros and bear interest at fixed rates. Consequently, there is no foreign exchange risk or interest rate risk on these instruments.

The Group has significant amounts of bank loans. The Group's policy is to manage its cost of borrowing by taking out interest rate cap and swap derivatives in order to generate the desired interest rate profile.

The Group aims to mitigate liquidity risk by managing cash generation by its operations and applying cash collection targets throughout the Group. Investment is carefully controlled, with authorisation limits operating up to Group Board level.

### **Research and development**

There are ongoing research and development projects at each of the Group's locations. The research and development functions are primarily concentrated on new ice cream design and recipes.

### **Disabled employees**

The Group gives full consideration to applications for employment from disabled persons where the candidate displays particular aptitudes and abilities are consistent with adequately meeting the requirements of the job. Opportunities are available to disabled employees for training, career development and promotion.

## Directors' Report (continued)

### Employee Involvement

The Group operates a framework for employee information and consultation which complies with the requirements of the Information and Consultation of Employees Regulations 2004. During the year the Group issues information on its website. In Germany the Group works closely with the Workers' Council and complies with Betriebsverfassungsgesetz (BetrVG) (works constitution act).

### Directors and their interests

The Directors who served during the year are as follows:

Brian John Buchan  
Hermann Theodor Dambach  
Scott Lane Graves  
Caleb Samuel Kramer  
James Scott Lambert  
Achim Schön

### Supplier payment policy and practice

It is the Company's policy that payments to suppliers are made in accordance with those terms and conditions agreed between the Company and its suppliers, provided that all trading terms and conditions have been complied with. At 31 December 2008 creditor days were 59 days (2007: 52 days).

### Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution to reappoint KPMG LLP as auditors will be put to the members at the Annual General Meeting.

### Directors' statement as to disclosure of information to auditors

The Directors who were members of the Board at the time of approving the Directors' report are listed on page 2. Having made enquiries of fellow Directors and of the Companies auditors, each of these confirms that:

- to the best of each Director's knowledge and belief, there is no information relevant to the preparation of their report of which the Company's auditors are unaware; and
- each Director has taken all the steps a Director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's auditors are aware of that information.

By order of the Board



A Finneran  
Secretary

29 APRIL 2009



## **Statement of Directors' responsibilities in respect of the Directors' report and the financial statements**

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

Company law requires the Directors to prepare Group and parent Company financial statements for each financial year. Under that law they have elected to prepare the Group financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the parent Company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

The Group financial statements are required by law and IFRSs as adopted by the EU to present fairly the financial position and the performance of the Group; the Companies Act 1985 provides 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.

The parent Company financial statements are required by law to give a true and fair view of the state of affairs of the parent Company.

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

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- for the Group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- for the parent Company financial statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the parent Company will continue in business.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility 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.

## **Report of the independent auditors, KPMG LLP, to the members of R&R Ice Cream Limited**

We have audited the Group and parent Company financial statements (the "financial statements") of R&R Ice Cream Limited for the year ended 31 December 2008 which comprise the consolidated income statement, the consolidated and parent company balance sheets, the consolidated statement of recognised Income and expense, the consolidated cash flow statement 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 235 of the Companies Act 1985. 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 auditors**

The Directors' responsibilities for preparing the Directors' Report and the Group financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU, and for preparing the parent Company financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 9.

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 and whether the financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

### **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 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.

## Report of the independent auditors, KPMG LLP, to the members of R&R Ice Cream Limited (continued)

### Opinion

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the EU, of the state of the Group's affairs as at 31 December 2008 and of its loss for the year then ended;
- the parent Company financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the parent Company's affairs as at 31 December 2008;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

KPMG LLP

KPMG LLP  
Chartered Accountants  
Registered Auditor

1 The Embankment  
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30 April 2009

# Consolidated income statement

For the year ended 31 December 2008

In thousands of euros

	Note	2008 Before exceptional items, amortisation and non-cash interest	2008 Exceptional items, amortisation and non-cash interest <sup>(a)</sup>	2008 Total	2007 Before exceptional items, amortisation and non-cash interest	2007 Exceptional items, amortisation and non-cash interest <sup>(a)</sup>	2007 Total
Revenue	2	446,520	-	446,520	436,756	-	436,756
Cost of sales		(310,571)	(7,416)	(317,987)	(337,989)	(6,664)	(344,653)
Gross profit		135,949	(7,416)	128,533	98,767	(6,664)	92,103
Distribution expenses		(50,644)	(7,755)	(58,399)	(52,101)	(6,185)	(58,286)
Administrative expenses		(31,567)	(7,324)	(38,891)	(33,672)	(3,164)	(36,836)
Results from operating activities	3	53,738	(22,495)	31,243	12,994	(16,013)	(3,019)
Finance income		1,202	911	2,113	598	-	598
Finance expenses		(18,274)	(36,400)	(54,674)	(25,162)	(17,706)	(42,868)
Net finance costs	8	(17,072)	(35,489)	(52,561)	(24,564)	(17,706)	(42,270)
Profit/(loss) before income tax		36,666	(57,984)	(21,318)	(11,570)	(33,719)	(45,289)
Income tax credit	9			9,087			9,073
Loss from continuing operations				(12,231)			(36,216)
Attributable to:							
Equity holders of the Company				(12,501)			(36,216)
Minority interests				270			-
Loss for the period				(12,231)			(36,216)

Note(a): in order to aid understanding of the financial results, the Directors have presented additional analysis prior to the effect of exceptional items, amortisation of intangible assets and non-cash interest charges. These items are analysed in detail in note 1.

The notes on pages 16 to 41 are an integral part of these consolidated financial statements.

All operations are continuing.

# Consolidated balance sheet

As at 31 December 2008

In thousands of euros

Assets	Note	2008	2007
<b>Non-current assets</b>			
Property, plant and equipment	10	108,629	127,900
Intangible assets	11	241,027	303,991
Financial assets	13	-	814
Deferred tax assets	14	16,996	9,052
<b>Total non-current assets</b>		<b>366,652</b>	<b>441,757</b>
<b>Current assets</b>			
Inventories	15	44,463	54,937
Current tax assets		123	669
Trade and other receivables	16	41,524	45,543
Cash and cash equivalents	17	16,345	7,562
		<b>102,455</b>	<b>108,711</b>
Assets classified as held for sale	10	1,202	-
<b>Total current assets</b>		<b>103,657</b>	<b>108,711</b>
<b>Total assets</b>		<b>470,309</b>	<b>550,468</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Equity share capital	18	50,886	48,595
Currency translation reserve	18	(40,792)	(8,863)
Retained earnings	18	(77,211)	(64,710)
Minority interests	18	1,208	-
<b>Total equity</b>		<b>(65,909)</b>	<b>(24,978)</b>
<b>Non-current liabilities</b>			
Financial liabilities	20	444,052	467,272
Deferred tax liabilities	14	33,300	45,483
<b>Total non-current liabilities</b>		<b>477,352</b>	<b>512,755</b>
<b>Current liabilities</b>			
Financial liabilities	20	8,964	11,734
Trade and other payables	22	46,320	50,702
Current tax liabilities		2,392	-
Provisions	23	1,190	255
<b>Total current liabilities</b>		<b>58,866</b>	<b>62,691</b>
<b>Total liabilities</b>		<b>536,218</b>	<b>575,446</b>
<b>Total equity and liabilities</b>		<b>470,309</b>	<b>550,468</b>

These financial statements were approved by the Board of Directors on 29 APRIL 2009 and were signed on its behalf by:

J Lambert  
Director



## Consolidated statement of recognised income and expense

For the year ended 31 December 2008

*In thousands of euros*

	2008	2007
Exchange differences on retranslation of foreign operations	(36,398)	(12,004)
Income tax recognised directly through reserves	4,469	-
<b>Income and expense recognised directly in equity</b>	<b>(31,929)</b>	<b>(12,004)</b>
<b>Loss for the year</b>	<b>(12,231)</b>	<b>(36,216)</b>
<b>Total recognised income and expense for the year</b>	<b>(44,160)</b>	<b>(48,220)</b>
Attributable to:		
Minority interests	270	-
Equity holders of the company	(44,430)	(48,220)
<b>Total</b>	<b>(44,160)</b>	<b>(48,220)</b>

# Consolidated statement of cash flows

For the year ended 31 December 2008

In thousands of euros

	Note	2008	2007
<b>Cash flows from operating activities</b>			
Operating cash flow before changes in working capital and provisions	24	65,322	30,905
Decrease in inventories		5,272	4,252
(Increase)/decrease in trade and other receivables		(2,432)	6,359
(Decrease)/increase in trade and other payables		(215)	9,347
Increase/(decrease) in provisions		935	(7,766)
<b>Cash generated from operations</b>		<u>68,882</u>	<u>43,097</u>
Interest paid		(18,799)	(25,434)
Income tax received/(paid)		801	(379)
<b>Net cash from operating activities</b>		<u>50,884</u>	<u>17,284</u>
<b>Cash flows from investing activities</b>			
Interest received		2,113	598
Proceeds from sale of property, plant and equipment		2,356	6,216
Acquisition of subsidiary, net of cash acquired	12	(4,294)	(19,329)
Acquisition of property, plant and equipment	10	(16,083)	(10,221)
Acquisition of intangible assets	11	(484)	(524)
<b>Net cash used in investing activities</b>		<u>(16,392)</u>	<u>(23,260)</u>
<b>Cash flows from financing activities</b>			
Proceeds from issue of share capital	18	2,291	1,293
Proceeds from issue of PIKs		-	50,000
Revolver drawdown	20	-	2,500
Loan to finance acquisition	20	4,883	-
Repayment of finance lease liabilities		(4,041)	(4,234)
Repayment of borrowings		(27,945)	(52,568)
<b>Net cash from financing activities</b>		<u>(24,812)</u>	<u>(3,009)</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		9,680	(8,985)
Cash and cash equivalents at 1 January		7,562	16,899
Effect of exchange rate fluctuations on cash held		(897)	(352)
<b>Cash and cash equivalents at 31 December</b>	17	<u>16,345</u>	<u>7,562</u>

The notes on pages 16 to 41 are an integral part of these consolidated financial statements.

# Notes to the consolidated financial statements

## Accounting policies

### Reporting entity

R&R Ice Cream Limited (the "Company") is a Company domiciled in the UK.

The address of the Company's registered office is Richmond House, Plews Way, Leeming Bar Industrial Estate, Northallerton, North Yorkshire, DL7 9UL.

The consolidated financial statements of the Company as at and for the year ended

31 December 2008 comprise the Company and its subsidiaries (together referred to as the "Group").

The Group is primarily involved in the manufacture and sale of ice cream and ice cream related products.

### Statement of compliance

The Consolidated Financial Statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs). The parent Company has elected to prepare its Financial Statements in accordance with UK GAAP. These are presented on pages 42 to 47.

The IFRS accounting policies set out below have been applied consistently unless otherwise stated to all periods presented in these Consolidated Financial Statements. The accounting policies have been prepared on the basis of the requirements of IFRSs in issue and adopted by the EU and effective (or available for early adoption) at 31 December 2008.

### Going concern

At 31 December 2008, the Group has consolidated net liabilities of €66 million (2007: €25 million). The Directors have considered this position, together with the Group's budgets and after making appropriate enquiries, the Directors consider that the Group has adequate resources to continue in operational existence for the foreseeable future and therefore continue to adopt the Group going concern basis for the preparation of the financial statements.

### Basis of measurement

The Group consolidated financial statements have been prepared on the historical cost basis except for the revaluation of certain financial instruments.

The methods used to measure fair values are discussed further below.

### Use of estimates and judgements

The preparation of financial statements in conformity with IFRSs 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 other judgements 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. Actual results may differ from those estimates.

Judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

- Note 11 - Intangible assets
- Note 12 - Acquisition of subsidiaries
- Note 23 - Provisions



## Notes to the consolidated financial statements

### Accounting policies (continued)

#### Adoption of new and revised standards

Any new or revised IASs or IFRSs which became effective in the year ended 31 December 2008 had already been adopted by the Group in advance of their effective dates.

Two interpretations issued by the International Financial Reporting Interpretations Committee are effective for the current period. These are:

- IFRIC 11 'IFRS 2- Group and Treasury Share Transactions'
- IFRIC 14 'IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction'.

The adoption of these Interpretations has not led to any changes in the Group's accounting policies.

The Group continues to adopt the following Standard in advance of its effective date:

- IAS23 'Borrowing Costs' (effective date 1 January 2009)

This adoption of this Standard has not led to any changes in the Group's accounting policies.

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective:

- Amendment to IAS 32 and IAS 1 'Puttable Financial Instruments' (effective 1 January 2009)
- Amendment to IAS1 'Presentation of Financial Statements' (effective 1 January 2009)
- Amendment to IAS 39 and IFRS 7 'Reclassification of Financial Instruments' (effective 1 July 2008)
- Amendment to IFRS 1 and IAS 27 'Cost of an Investment in a Subsidiary, Jointly-Controlled Entity or Associate' (effective 1 July 2009)
- Amendment to IFRS 2 'Share based payments' (effective 1 January 2009)
- IFRS 8 'Operating Segments' (effective 1 January 2009)

The Directors do not expect that the adoption of these Standards and Interpretations will have a material impact on the financial statements of the Group except for presentational differences as a result of the amendment to IAS 1 and additional segment disclosures under IFRS 8.

The significant accounting policies are set out below.

#### Basis of consolidation - subsidiaries

The consolidated financial statements include the financial statements of the Company and its subsidiaries up to 31 December each year. The results of the subsidiaries acquired or disposed of during the year, are included in the consolidated financial statements from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group. All intra-Group transactions, balances, income and expenses are eliminated on consolidation. In 2007, the acquisition of Creamice Limited was accounted for under this method and in 2008, the acquisition of Kelly's of Cornwall Limited (and its subsidiaries) was also accounted for under this method.

#### Acquisitions from entities under common control

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Group are accounted for as if the acquisition had occurred at the date that common control was established.

#### Minority interests

Any minority interests are initially measured based on the minority shareholders' share of the fair value of the subsidiary's net assets at the acquisition date. Thereafter, the minority shareholders' share in the profits or losses of the subsidiary are shown on the face of the consolidated income statement and the consolidated statement of recognised income and expense and are attributed to minority interests on the consolidated balance sheet within equity.

# Notes to the consolidated financial statements

## Accounting policies (continued)

### Foreign currency

The functional currency of each Group Company is the currency of the primary economic environment in which the Group Company operates. The financial statements are presented in Euros which is the functional and presentational currency of the Group.

Transactions denominated in foreign currencies are translated into the functional currency of each Group Company at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Euros at the rate of exchange ruling at the balance sheet date.

Foreign exchange gains and losses arising on the settlement of such transactions and translation of monetary assets and liabilities are recognised in the income statement.

On consolidation, the financial statements of subsidiaries with a functional currency other than Euro are translated into Euros as follows:

- The assets and liabilities in their balance sheets plus any goodwill are translated at the rate of exchange ruling at the balance sheet date.
- The income statements and cash flow statements are translated at the average rate of exchange for the period.
- Currency translation movements arising on the translation of the net investments in foreign subsidiaries are recognised in the translation reserve, which is a separate component of equity.

### Trade and other receivables

Trade and other receivables are held at cost less any impairment in realisable value.

### Trade and other payables

Trade payables on normal terms are not interest bearing and are stated at their nominal value.

### Derivative financial instruments

The Group holds derivative financial instruments to limit its interest rate risk exposures.

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in profit or loss when incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described in Note 25.

### Cash and cash equivalents

Cash and cash equivalents are defined as cash balances in hand and at the bank (including short term cash deposits). The Group routinely utilises short term revolving credit facilities, which are repayable on demand, as an integral part of its cash management policy. Offset arrangements across the Group business have been applied to arrive at the cash figure.

### Bank and other borrowing

Interest bearing borrowings, bank and other borrowings are carried at amortised cost. Finance charges, including issue costs are charged to the income statement using an effective interest rate method.

## Notes to the consolidated financial statements

### Accounting policies (continued)

#### Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Depreciation on property, plant and equipment is provided using the straight line method to write off the cost less any estimated residual value, as follows:

• Land	nil depreciation	nil depreciation
• Buildings	40-50 years	2% - 2.5%
• Plant and equipment	3-15 years	6.67% - 33.33%

Depreciation methods, useful lives and residual values are reassessed at the reporting date.

#### Leased assets

Assets financed by means of a finance lease are treated as if they had been purchased outright and the corresponding liability to the leasing Company is included as an obligation under finance leases. Depreciation on such assets is charged to the income statement, in accordance with the stated accounting policy, over the shorter of the lease term or the asset life. The finance element of payments to leasing companies are calculated so as to achieve a constant rate of interest on the remaining balance over the lease term, and charged to the income statement accordingly.

Amounts payable under operating leases are charged to operating expenses on a straight line accruals basis over the lease term.

#### Intangible assets

##### Goodwill

Business combinations are accounted for under IFRS 3 by applying the purchase method. Goodwill represents consideration given by the acquirer in anticipation of future economic benefits from assets that are not capable of being individually identified and separately recognised. Goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired. Details of how fair values are calculated are given below.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash generating units and is not amortised but is tested annually for impairment.

Negative goodwill arising on an acquisition is recognised directly in the Consolidated Income Statement.

##### Other intangible assets

An intangible asset acquired as part of a business combination is recognised outside goodwill if the assets are separable or arises from contractual or other legal rights and its fair value can be measured reliably. Following initial recognition, the historic cost model is applied, with intangibles being carried at cost less accumulated amortisation and impairment losses.

Intangible assets with a finite life have no residual value and are amortised on a straight line basis over their useful lives with charges included in cost of sales, distribution expenses and administrative expenses as appropriate as follows:

Customer relationships	10-20 years	5% - 10%
Brands and trademarks	20 years	5%
Licences	20 years	5%
Recipes	2-3 years	33% - 50%
Computer software and development costs	3-10 years	10% - 33%

## Notes to the consolidated financial statements

### Accounting policies (continued)

#### Other intangible assets (continued)

The valuation methodologies applied by professionals in arriving at values for intangible assets on acquisition of subsidiaries are as follows:

- Customer relationships - Multi period excess earnings
- Brands and trademarks - Royalty relief
- Recipes - Cost to recreate

Internally generated brands are not held on the balance sheet. Acquired brands are calculated based on discounted cash flows. No amortisation on UK brands is charged as the Group believes that the value of those brands is maintained indefinitely. Brands are tested annually for impairment.

Acquired software licenses and software developed in house are capitalised on the basis of the costs incurred to acquire and bring into use the specific software.

The carrying value of intangible assets is reviewed for impairment wherever events or changes in circumstances indicate the carrying value may not be recoverable.

#### Impairment

The carrying amounts of the Group's assets, other than inventories and deferred tax assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

For goodwill, assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date.

An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognised in the Consolidated Income Statement.

Impairment losses recognised in respect of cash-generating units (not relating to other intangible assets specifically) 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. A cash-generating unit is the Group of assets identified on acquisition that generate cash inflows that are largely independent of the cash inflows from other assets or Groups of assets.

The recoverable amount of assets or cash-generating units is the greater of their fair value less costs to sell 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.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

## Notes to the consolidated financial statements

### Accounting policies (continued)

#### Share based payments

For cash settled share based payment transactions, the fair value of the amount payable to the employee is recognised as an expense with a corresponding increase in liabilities. The fair value is initially measured at grant date and spread over the period during which the employees become unconditionally entitled to payment. The fair value is measured based on an option pricing model taking into account the terms and conditions upon which the instruments were granted. The liability is re-valued at each balance sheet date and settlement date with any changes to fair value being recognised in the profit and loss account.

For equity settled share based payment transactions, the fair value of the amount payable to the employee is measured at the date of grant and is recognised as an expense with a corresponding increase in equity. The fair value is based on an option pricing model taking into account the terms and conditions upon which the instruments were granted. The fair value of equity settled share based payments is not restated at each balance sheet date.

#### Inventories

Inventories are stated at the lower of cost and net realisable value. Work in progress comprises direct materials, labour costs, site overheads and other attributable overheads.

#### Employee benefits

Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement when they are due.

#### Provisions

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

#### Revenue

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer (which is when the goods are despatched), recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

#### Taxation

Income tax on the loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that they probably will not reverse in the foreseeable future. The amount of deferred tax provided is based on the carrying amount of assets and liabilities, using the prevailing tax rates. The deferred tax balance has not been discounted.

## Notes to the consolidated financial statements

### Accounting policies (continued)

#### Taxation (continued)

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

#### Assets held for sale

Assets held for sale are measured at the lower of the carrying amount and fair value less costs to sell. Assets classified as held for sale are not amortised or depreciated.

#### Exceptional items

The Group presents as exceptional items on the face of the income statement, those material items of income or expense which, because of the nature and expected infrequency of the events giving rise to them, merit separate presentation. This allows users of the accounts to better understand the elements of financial performance in the year, so as to better assess trends in financial performance.

#### Determination of fair values

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

#### Property, plant and equipment

The fair value of property, plant and equipment recognised as a result of a business combination is based on market values. The market value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The market value of items of plant and equipment is based on the quoted market prices for similar items or depreciated replacement cost where quoted market prices are not available.

#### Intangible assets

The fair value of intangible assets is calculated using methods which reflect the value that the Group would have paid for the assets in an arm's length transaction. Such methods include where appropriate, discounting estimated future net cash flows from the asset and applying multiples to royalty streams that could be obtained by licensing the intangible asset.

#### Inventories

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

#### Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of the amounts to be received, determined at appropriate interest rates less allowance for bad debts. Discounting has not been applied to current receivables.

#### Financial Instruments

The fair value of interest rate swaps and caps is the estimated amount that the Group would receive or pay to terminate the swap or cap at the balance sheet date, taking into account current interest rates and the current creditworthiness of the swap and cap counterparties.

#### Trade and other payables

The fair value of trade and other payables is estimated as the present value of the amounts to be paid, determined at appropriate interest rates. Discounting has not been applied to current payables.

## Notes to the consolidated financial statements

### 1. Exceptional items, amortisation and non-cash interest

The table below shows an analysis of the items separately disclosed on the face of the consolidated income statement.

*In thousands of euros*

	2008	2007
Exceptional items		
- impairment of brands	(3,127)	(1,488)
- other exceptional items	(7,594)	(2,382)
Total exceptional items (note 6)	(10,721)	(3,870)
Amortisation of intangibles (note 11)	(11,774)	(12,143)
Non-cash PIK interest to parent company	(24,500)	(17,663)
Non-cash net foreign exchange losses	(5,308)	(149)
Non-cash movement in fair value of derivatives	(5,681)	106
	<u>(57,984)</u>	<u>(33,719)</u>

### 2. Revenue

Sales represent the sale of ice cream across the Group. There are no other significant categories of revenue.

The table below shows the revenue relating to the geographical location of the customer.

*In thousands of euros*

	2008	2007
UK	179,185	175,523
Germany	167,935	162,242
France	29,791	21,939
Poland	13,027	13,577
Europe other	51,883	62,082
Other	4,699	1,393
	<u>446,520</u>	<u>436,756</u>

## Notes to the consolidated financial statements

### 3. Results from operating activities

This is stated after charging:

*In thousands of euros*

	Recurring	Non-cash interest	Exceptional (note 6)	2008	2007
Depreciation of property, plant and equipment:					
- owned assets	15,021	-	1,708	16,729	17,792
- assets held under finance leases	2,292	-	-	2,292	2,393
Amortisation of intangible assets	11,774	-	3,127	14,901	13,631
Operating lease charges	1,325	-	-	1,325	2,127
Other exceptional costs	-	-	5,886	5,886	2,382
Research and development costs	2,039	-	-	2,039	2,118
Net foreign exchange loss	-	5,308	-	5,308	149
	32,451	5,308	10,721	48,480	40,592

### 4. Analysis of continuing operations

*In thousands of euros*

	Acquired	Ongoing	2008
Revenue	9,263	437,257	446,520
Cost of sales			
Recurring	(5,392)	(310,986)	(316,378)
Exceptional	-	(1,609)	(1,609)
	(5,392)	(312,595)	(317,987)
Gross profit	3,871	124,662	128,533
Distribution expenses			
Recurring	(1,653)	(53,619)	(55,272)
Exceptional	-	(3,127)	(3,127)
	(1,653)	(56,746)	(58,399)
Administrative expenses			
Recurring	(838)	(32,068)	(32,906)
Exceptional	-	(5,985)	(5,985)
	(838)	(38,053)	(38,891)
Results from operating activities	1,380	29,863	31,243

For details of the acquisition see note 12.

### 5. Auditors remuneration

The Group paid the following amounts to its auditors during the year:

*In thousands of euros*

	2008	2007
Amounts receivable by auditors and their associates in respect of:		
- Audit of these financial statements	67	62
- Audits of financial statements of subsidiaries pursuant to legislation	247	191
- Other services relating to taxation	29	79



## Notes to the consolidated financial statements

### 6. Exceptional Items

Recognised in arriving at results from operating activities

*In thousands of euros*

	2008	2007
Conversion to vegetable fat-based ice cream	(1,207)	-
Transfer of Haltern to other operating sites	(402)	-
Total cost of sales exceptional items	<u>(1,609)</u>	<u>-</u>
Impairment of brands	(3,127)	(1,488)
Total distribution costs exceptional items	<u>(3,127)</u>	<u>(1,488)</u>
Impairment of property, plant and equipment	(1,708)	(327)
R&R Integration costs	(521)	(1,037)
Conversion to vegetable fat-based ice cream	(928)	-
Transfer of Haltern to other operating sites	(2,828)	-
Write off of inventories and bad debts	-	(910)
Loss on disposal of property, plant and equipment	-	(108)
Total administrative costs exceptional items	<u>(5,985)</u>	<u>(2,382)</u>
Total exceptional items	<u>(10,721)</u>	<u>(3,870)</u>

#### ***Conversion to vegetable fat-based ice cream***

This relates to the cost of converting some of our ice cream production from dairy fat-based ice cream to vegetable fat-based ice cream, including trials and stock write offs.

#### ***Transfer of Haltern to other operating sites***

This relates to costs incurred on the transfer of production out of Haltern to the other German sites

#### ***Impairment of brands***

This relates to the impairment of the Botterbloom, Landliebe and Nasch brands in Germany.

#### ***Impairment of property, plant and equipment ('PPE')***

This relates to an impairment of PPE in Germany.

#### ***R&R Integration costs***

Throughout 2008, the Group has continued to integrate the R&R business in the UK and Europe.

## Notes to the consolidated financial statements

### 7. Staff Costs and Directors' emoluments

#### Staff costs

*In thousands of euros*

	2008	2007
Wages and salaries	50,718	51,136
Social security contributions	8,424	8,980
Other pension costs	504	405
	<u>59,646</u>	<u>60,521</u>

The average number of employees during the year was made up as follows:-

	2008 No.	2007 No.
Production	1,322	1,248
Sales, Marketing and Distribution	234	263
Administrative and Other	309	324
	<u>1,865</u>	<u>1,835</u>

The geographical location of employees at year end is as follows:-

	2008 No.	2007 No.
UK	605	624
Germany	627	676
France	124	151
Poland	232	221
	<u>1,588</u>	<u>1,672</u>

#### Directors' remuneration

*In thousands of euros*

	2008	2007
Directors' remuneration	1,037	1,027
Aggregate contributions to defined contribution pension schemes	<u>102</u>	<u>107</u>

The aggregate remuneration of the highest paid Director was €546 thousand (2007: €506 thousand).

	No.	No.
Number of Directors accruing benefits under defined contribution schemes	<u>2</u>	<u>2</u>

## Notes to the consolidated financial statements

### 8. Finance income and expense

*In thousands of euros*

	2008	2007
<b>Finance income</b>		
Interest income on bank deposits	1,202	492
Gain on derivative financial instrument	-	106
Net foreign exchange gain	911	-
	<u>2,113</u>	<u>598</u>
<b>Finance expense</b>		
Interest expense on bank overdrafts and loans	(17,766)	(21,775)
Non-cash PIK interest to parent company	(24,500)	(17,663)
Interest on obligations under finance leases	(508)	(1,684)
Deutsche Bank early prepayment fees	-	(1,597)
Loss on derivative financial instrument (non-cash)	(5,681)	-
Net foreign exchange loss	(6,219)	(149)
	<u>(54,674)</u>	<u>(42,868)</u>
<b>Net finance income and expense</b>	<u>(52,561)</u>	<u>(42,270)</u>

### 9. Income tax expense in the income statement

*In thousands of euros*

	2008	2007
<b>Current tax expense</b>		
Current period	6,362	538
Adjustments for prior years	(22)	(183)
Total current tax expense	<u>6,340</u>	<u>355</u>
<b>Deferred tax credit</b>		
Origination and reversal of temporary differences	(8,929)	(9,980)
Adjustments for prior years	(6,498)	552
Total deferred tax credit (note 14)	<u>(15,427)</u>	<u>(9,428)</u>
<b>Total income tax credit</b>	<u>(9,087)</u>	<u>(9,073)</u>

#### Reconciliation of effective tax rate

*In thousands of euros*

		2008	2007
Loss for the year before income tax		<u>(21,318)</u>	<u>(45,289)</u>
Total income tax using domestic corporation tax rate	28%	(5,969)	(13,587)
Non deductible expenses/(Non taxable income)	(17%)	3,570	(1,629)
Impact of change of tax rate on deferred tax	-%	-	(3,260)
Losses not recognised in deferred tax provision	3%	(545)	9,859
Difference between local tax rates and UK standard rate	(2%)	377	(825)
Over recovery in prior years - current tax	0%	(22)	(183)
(Over)/under recovery in prior years - deferred tax	30%	(6,498)	552
	43%	<u>(9,087)</u>	<u>(9,073)</u>

## Notes to the consolidated financial statements

### 10. Property, plant and equipment

<i>In thousands of euros</i>	Land and buildings	Plant and equipment	Under construction	Total
<b>Cost or deemed cost</b>				
Balance at 1 January 2007	59,752	98,223	4,659	162,634
Acquisitions through business combinations	-	5,578	-	5,578
Other additions	4,466	3,795	1,960	10,221
Movement in assets under construction	1,133	2,479	(3,612)	-
Disposals	(6,636)	(1,597)	-	(8,233)
Foreign currency adjustment	(2,071)	(3,696)	(172)	(5,939)
Balance at 31 December 2007	56,644	104,782	2,835	164,261
Balance at 1 January 2008	56,644	104,782	2,835	164,261
Acquisitions through business combinations	1,283	996	-	2,279
Other additions	1,005	4,163	10,915	16,083
Movement in assets under construction	534	1,582	(2,116)	-
Transfer to assets held for sale	-	(1,104)	(98)	(1,202)
Disposals	(396)	(10,301)	(457)	(11,154)
Foreign currency adjustment	(5,393)	(12,535)	(572)	(18,500)
Balance at 31 December 2008	53,677	87,583	10,507	151,767
<b>Depreciation and impairment</b>				
Balance at 1 January 2007	3,067	15,336	-	18,403
Depreciation for the year	779	19,406	-	20,185
Disposals	(390)	(881)	-	(1,271)
Foreign currency adjustment	(82)	(874)	-	(956)
Balance at 31 December 2007	3,374	32,987	-	36,361
Balance at 1 January 2008	3,374	32,987	-	36,361
Depreciation for the year	2,290	14,936	87	17,313
Exceptional depreciation charge	1,708	-	-	1,708
Disposals	(9)	(8,646)	-	(8,655)
Foreign currency adjustment	(265)	(3,324)	-	(3,589)
Balance at 31 December 2008	7,098	35,953	87	43,138
<b>Carrying amounts</b>				
<i>In thousands of euros</i>	Land and buildings	Plant and equipment	Under construction	Total
At 1 January 2007	56,685	82,887	4,659	144,231
At 31 December 2007 and 1 January 2008	53,270	71,795	2,835	127,900
At 31 December 2008	46,579	51,630	10,420	108,629

The net book value of plant and equipment held under finance leases and hire purchase contracts at 31 December 2008 was €12,655 thousand (2007: €15,860 thousand). The total depreciation charged in the year relating to these assets is €2,292 thousand (2007: €2,393 thousand) (see note 3).

In the year plant and equipment with a carrying value of €1,202 thousand has been transferred to assets held for sale. The assets relate to the transfer of the Haltern factory and were being actively marketed for sale at the balance sheet date. Management believes that the fair value of the assets is in excess of the carrying value.

## Notes to the consolidated financial statements

### 11. Intangible assets

*In thousands of euros*

	Goodwill	Customer Relation- ships	Brands & Trade- marks	Licenses & Recipes	Software	Total
<b>Cost</b>						
Balance at 1 January 2007	150,184	66,581	4,364	106,181	4,332	331,642
Reclassifications	-	32,168	23,997	(56,707)	542	-
Acquisition through business combinations	13,645	-	-	-	-	13,645
Additions	-	-	-	34	490	524
Foreign currency adjustment	(10,482)	(5,424)	(95)	(3,848)	2	(19,847)
Disposals	-	-	-	-	(4)	(4)
Balance at 31 December 2007	153,347	93,325	28,266	45,660	5,362	325,960
Balance at 1 January 2008	153,347	93,325	28,266	45,660	5,362	325,960
Acquisition through business combinations	2,562	-	-	-	-	2,562
Additions	30	-	-	10	444	484
Foreign currency adjustment	(29,863)	(13,779)	(242)	(9,826)	(62)	(53,772)
Disposals	-	-	-	-	(173)	(173)
Balance at 31 December 2008	126,076	79,546	28,024	35,844	5,571	275,061
<b>Amortisation and impairment losses</b>						
Balance at 1 January 2007	-	1,669	161	6,422	729	8,981
Reclassifications	-	3,079	1,199	(4,278)	-	-
Amortisation for the year	-	6,561	1,360	3,383	839	12,143
Impairment in the year	-	-	1,488	-	-	1,488
Foreign currency adjustment	-	(356)	-	(278)	(9)	(643)
Balance at 31 December 2007	-	10,953	4,208	5,249	1,559	21,969
Balance at 1 January 2008	-	10,953	4,208	5,249	1,559	21,969
Amortisation for the year	-	6,111	1,291	2,948	1,424	11,774
Impairment in the year	-	-	3,127	-	-	3,127
Disposals	-	-	-	-	(159)	(159)
Foreign currency adjustment	-	(1,491)	-	(1,154)	(32)	(2,677)
Balance at 31 December 2008	-	15,573	8,626	7,043	2,792	34,034

#### Carrying amounts

*In thousands of euros*

	Goodwill	Customer Relation- ships	Brands & Trade- marks	Licenses & Recipes	Software	Total
At 1 January 2007	150,184	64,912	4,203	99,759	3,603	322,661
At 31 December 2007 and 1 January 2008	153,347	82,372	24,058	40,411	3,803	303,991
At 31 December 2008	126,076	63,973	19,398	28,801	2,779	241,027

# Notes to the consolidated financial statements

## 11. Intangible assets (continued)

Recipes, customer relationships, brands and licenses consist of intangible assets acquired through business combinations. Recipes, customer relationships and licenses are amortised over their useful lives of between 2 and 20 years. UK brands have indefinite useful lives and are not amortised. This is because there is no foreseeable limit to the period over which the asset is expected to generate net cash in flows for the business. This intangible will be tested annually to determine whether there is any indication of impairment. Software and development costs are amortised over their useful economic lives of between 3 and 10 years.

### Amortisation and impairment of intangible assets charge

*In thousands of euros*

The amortisation and impairment of intangible assets charge is recognised on the following lines in the Income statement.

	2008	2007
Cost of sales	5,807	6,664
Distribution expenses	7,755	6,185
Administrative expenses	1,339	782
Total amortisation and impairment of intangible assets charge	<u>14,901</u>	<u>13,631</u>

### Impairment testing for cash-generating units containing goodwill

For the purpose of impairment testing, goodwill acquired through business combinations is allocated to the Group's subsidiaries which represent the lowest level within the Group at which the goodwill is monitored for internal management purposes.

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

<i>In thousands of euros</i>	2008	2007
Richmond - UK	100,693	130,526
Kelly's - UK	2,562	-
Roncadin - Germany/Poland	18,360	18,360
Roncadin - France	4,461	4,461
Total	<u>126,076</u>	<u>153,347</u>

Note: The goodwill allocated to "Richmond - UK" is unchanged in its base currency of Sterling.

The goodwill allocated to each business unit has been assessed by independent valuation experts as part of the purchase price allocation exercise and tested for impairment by management in the current year. The assessment was performed on a value in use basis using the weighted average cost of capital for that country as a discount factor and 2009 forecast results as approved by the Board and extrapolated forwards using steady growth rate of 2% which management consider does not exceed long term average growth rates for the markets in which it operates. The key assumptions underpinning these forecasts are based on anticipated revenue and gross margin performance into perpetuity since management believes this gives a true reflection of the anticipated cash flows of the business. Management does not currently believe that any reasonably possible change in the key assumptions on which assessments of recoverable amounts have been based would cause the carrying amount of goodwill to exceed its recoverable amount.

Following an impairment review of Germany's intangible brands, performed by an external advisor at 31 December 2008, an impairment was made to brands of €3.1 million (2007: €1.5 million), disclosed within exceptional expenses.

## Notes to the consolidated financial statements

### 12. Acquisitions of subsidiaries

#### Business combination - Kelly's of Cornwall Limited

On 31 March 2008, R&R Ice Cream UK Limited acquired 75% of the issued share capital of Kelly's of Cornwall Limited and its subsidiaries for €4.8 million.

The acquisition had the following effect on the Group assets and liabilities at acquisition date:

#### Kelly's of Cornwall Limited (consolidated)

*In thousands of euros*

	Pre acquisition carrying amounts	Fair value adjustments	Fair values on acquisition
Property, plant and equipment	1,635	644	2,279
Inventories	778	(77)	701
Trade and other receivables	856	(53)	803
Cash and cash equivalents	461	-	461
Non-current liabilities - Financial liabilities	(42)	-	(42)
Non-current liabilities - Deferred tax liabilities	(117)	-	(117)
Current liabilities - Financial liabilities	(35)	-	(35)
Current liabilities - Trade and other payables	(656)	-	(656)
Current liabilities - Current tax liabilities	(288)	25	(263)
Net identifiable assets and liabilities	2,592	539	3,131
Attributable to minority interests			(938)
Goodwill on acquisition			2,562
			<u>4,755</u>
Discharged by:			
Cash			4,725
Costs associated with acquisition			30
Net cash out flow on acquisition			<u>4,755</u>

Pre-acquisition carrying amounts were determined based on applicable IFRSs immediately before the acquisition. The values of assets and liabilities recognised on acquisition are their estimated fair values. Management considered the existence of other intangible assets at the point of acquisition. However, no value has been ascribed to other intangible assets given the limited geographical public awareness of the Kelly's brand at acquisition.

The remaining 25% of the issued share capital is currently held by a minority interest. The 25% share is subject to a call option in favour of the Group expiring in March 2011. The purchase price of the remaining 25% under the option will be determined with reference to the exit EBITDA of the Kelly's. On a change of control, the Group is obliged to exercise the call option.

The result of the Kelly's Group is disclosed in note 4. If the acquisition had taken place at the start of the year additional turnover of €1.9 million and profit of €0.2 million would have been recognised.

### 13. Financial assets

*In thousands of euros*

	2008	2007
Derivative financial instrument	-	814
	<u>-</u>	<u>814</u>

The Group has interest rate swaps and caps in place. They have been valued at fair value on 31 December 2008. This has not been designated as a hedge. The change in fair value of the swap has been taken through the income statement. At 31 December 2007 these instruments were an asset and at 31 December 2008 these instruments were a liability (see note 20).

## Notes to the consolidated financial statements

### 14. Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

<i>In thousands of euros</i>	Assets		Liabilities		Net	
	2008	2007	2008	2007	2008	2007
Property, plant and equipment	375	112	(3,303)	(6,643)	(2,928)	(6,531)
Intangible assets	19	25	(27,966)	(37,253)	(27,947)	(37,228)
Goodwill	124	124	(175)	-	(51)	124
Inventories	-	31	(456)	(434)	(456)	(403)
Leased assets	5	-	(855)	(944)	(850)	(944)
Employee benefits	107	108	-	-	107	108
Provisions / accruals	-	-	(527)	70	(527)	70
Tax losses	6,165	6,857	-	-	6,165	6,857
Other items	10,201	1,795	(18)	(279)	10,183	1,516
Net tax assets / (liabilities)	16,996	9,052	(33,300)	(45,483)	(16,304)	(36,431)

<i>In thousands of euros</i>	At 31 December 2007	At 31 December 2007	Recognised in income (tax)	Recognised in income (interest)	Foreign exchange movement	At 31 December 2008
		Acquired				
Property, plant and equipment	(6,531)	(182)	3,069	-	716	(2,928)
Intangible assets	(37,228)	-	3,383	-	5,898	(27,947)
Goodwill	124	-	(238)	-	63	(51)
Inventories	(403)	-	(151)	-	98	(456)
Leased assets	(944)	-	86	-	8	(850)
Employee benefits	108	-	-	-	(1)	107
Provisions / accruals	70	-	(596)	-	(1)	(527)
Tax losses	6,857	-	(692)	-	-	6,165
Other items	1,516	65	10,566	(1,313)	(651)	10,183
Tax (assets) / liabilities	(36,431)	(117)	15,427	(1,313)	6,130	(16,304)

### 15. Inventories

<i>In thousands of euros</i>	2008	2007
Raw materials and consumables	10,336	11,863
Work in progress	12	11
Finished goods	34,115	43,063
	<u>44,463</u>	<u>54,937</u>

The above amounts are stated net of stock provisions. In the year ended 31 December 2008, the Group credited €93 thousand in relation to stock provision movements (2007: expense of €905 thousand).



## Notes to the consolidated financial statements

### 16. Trade and other receivables

<i>In thousands of euros</i>	2008	2007
Trade receivables, prepayment, accrued income and other	41,524	45,520
Trade and other receivables due from related parties	-	23
	<u>41,524</u>	<u>45,543</u>

The above receivables are shown net of the following provisions for doubtful debts.

<i>In thousands of euros</i>	2008	2007
<b>Provisions for doubtful debts</b>		
Opening provision for doubtful debts	3,535	3,941
Provision utilised in year	(59)	(838)
Expensed in year	45	432
<b>Closing provision for doubtful debts</b>	<u>3,521</u>	<u>3,535</u>

Included in the above analysis of receivables are the following amounts which are past due:

<i>In thousands of euros</i>	2008	2007
<b>Past due receivables</b>		
< 1 month overdue	6,903	6,578
1-2 months overdue	582	1,944
2-3 months overdue	108	1,071
>3 months overdue	1,157	1,318
<b>Total overdue receivables</b>	<u>8,750</u>	<u>10,911</u>

Receivables denominated in currencies other than the functional currency comprise €18.8 million (2007: €17.9 million) of receivables denominated in Pounds Sterling, and €0.3 million (2007: €0.60 million) of receivables denominated in Zlotys.

### 17. Cash and cash equivalents

<i>In thousands of euros</i>	2008	2007
Bank balances	16,345	7,562
Cash and cash equivalents in the statement of cash flows	<u>16,345</u>	<u>7,562</u>

The bank balance includes cash on short term deposit of €10.7 million which matured on 8 January 2009 with an average interest rate of 1.8%.

Cash balances denominated in currencies other than the functional currency comprise €632 thousand (2007: €350 thousand) denominated in Zlotys and €11.0 million (2007: €3.9 million) denominated in Pounds Sterling, of which €10.7 million relates to the short term deposits, which matured on 8 January 2009.

## Notes to the consolidated financial statements

### 18. Reconciliation of movement in capital and reserves

*In thousands of euros*

	Share capital	Retained earnings	Currency translation reserve	Minority interests	Total
Balance at 1 January 2008	48,595	(64,710)	(8,863)	-	(24,978)
Acquisition through Business Combination	-	-	-	938	938
Issue of ordinary shares	2,291	-	-	-	2,291
Exchange difference on retranslation of foreign operations	-	-	(36,398)	-	(36,398)
Profit/(loss) for the year	-	(12,501)	-	270	(12,231)
Income tax recognised through reserves	-	-	4,469	-	4,469
Balance at 31 December 2008	50,886	(77,211)	(40,792)	1,208	(65,909)

#### Currency translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations and the Company's net investment in those operations.

#### Minority interests

Minority interests represents the share of the Group's net assets attributable to the minority shareholders of its subsidiaries.

### 19. Called up share capital

*In thousands of shares*

	Issued & fully paid	Authorised
2007 - Ordinary €1 shares	48,595	300,000
2008 - Ordinary €1 shares	50,886	300,000

On 14 July 2008, 2,291 thousand shares were issued to OCM Luxembourg Ice Cream Holdings at par.

### 20. Financial Liabilities

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings. For more information about the Group's exposure to interest rate and foreign currency risk see note 25.

#### Refinancing

*In thousands of euros*

	2008	2007
<b>Non-current liabilities</b>		
Secured bank loans	155,836	204,663
Finance lease liabilities (note 21)	1,137	3,650
Derivative financial instrument (note 13)	4,115	-
Loan from OCM Luxembourg	282,964	258,959
	<u>444,052</u>	<u>467,272</u>
<b>Current liabilities</b>		
Revolving credit facility	-	2,500
Current portion of secured bank loans	6,719	4,773
Current portion of finance lease liabilities (note 21)	2,245	4,461
	<u>8,964</u>	<u>11,734</u>
<b>Total financial liabilities</b>	456,522	484,347
Less deferred debt issue costs	(3,506)	(5,341)
<b>Total secured financial liabilities</b>	<u>453,016</u>	<u>479,006</u>

Deferred debt issue costs are being amortised to 2015; being the date of maturity for the debt issued.

## Notes to the consolidated financial statements

### 20. Financial Liabilities (continued)

#### Terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

#### 2008

*In thousands of euros*

	Currency	Nominal Interest Rate	Year of Maturity	31 Dec Carrying amount	Fair Value
Revolving credit facility	Euro	4.10%	2015	-	-
Term Loan A	Euro	4.10%	2013	28,798	28,798
Term Loan B	Euro	5.10%	2015	41,642	41,642
Acquisition facility	GBP	3.68%	2015	4,883	4,883
Term Loan A	GBP	3.68%	2013	19,291	19,291
Term Loan B	GBP	4.68%	2015	71,447	71,447
Less: deferred debt issue costs				(3,506)	-
Total secured				162,555	166,061
Unsecured from:					
OCM Luxembourg PIKS Series A	Euro	9.00%		152,327	26,580
OCM Luxembourg PIKS Series B	Euro	13.13%		57,620	57,620
OCM Luxembourg Loans	Euro	9.00%		73,017	46,228
Total OCM				282,964	130,428
Total				445,519	296,489

#### 2007

*In thousands of euros*

	Currency	Nominal Interest Rate	Year of Maturity	31 Dec Carrying amount	Fair Value
Revolving credit facility	Euro	6.70%	2015	2,500	2,500
Term Loan A	Euro	6.70%	2013	31,778	31,778
Term Loan B	Euro	7.20%	2015	41,642	41,642
Second Lien	Euro	10.00%	2015	7,500	7,500
Term Loan A	GBP	6.10%	2013	27,601	27,601
Term Loan B	GBP	8.60%	2015	106,255	106,255
Less: deferred debt issue costs				(5,341)	-
Total secured				211,935	217,276
Unsecured from:					
OCM Luxembourg PIKS Series A	Euro	9.00%		139,749	23,496
OCM Luxembourg PIKS Series B	Euro	13.13%		50,935	50,935
OCM Luxembourg Loans	Euro	9.00%		68,275	41,194
Total OCM				258,959	115,625
Total				470,894	332,901

#### Undrawn facilities

At 31 December 2008 the Group has the following undrawn facilities available should they be required:-

- €25.1 million Acquisition facility
- €50.5 million Revolving credit facility

In order to utilise the acquisition facility the Group must make an acquisition representing greater than 50% of the issued share capital of a business in the ice cream industry. There are no restrictions on the utilisation of the revolving credit facility.

## Notes to the consolidated financial statements

### 21. Finance lease liabilities

The Group has finance leases for some of its plant and machinery. Future minimum lease payments under finance leases are as follows:-

<i>In thousands of euros</i>	2008	2007
<i>Future minimum payments due:</i>		
Not later than one year	2,334	4,768
After one year but not more than five years	1,157	3,788
Less finance charges allocated to future periods	(109)	(445)
Present value of minimum lease payments	<u>3,382</u>	<u>8,111</u>

The present value of minimum lease payments is analysed as follows:

Not later than one year	2,245	4,461
After one year but not more than five years	1,137	3,650
	<u>3,382</u>	<u>8,111</u>

The effective interest rate on finance leases is 6.0% (2007: 6.0%).

### 22. Trade and other payables

<i>In thousands of euros</i>	2008	2007
Trade payables, accrued expenses and other	44,277	47,786
Trade and other payables due to related parties	520	416
Interest payable	1,523	2,500
	<u>46,320</u>	<u>50,702</u>

Payables denominated in currencies other than the functional currency comprise €7,476 thousand of trade payables (2007: €6,421 thousand), other payables of €2,019 thousand (2007: €2,636 thousand), interest payable of €764 thousand (2007: €338 thousand) and accrued expenses of €6,744 thousand (2007: €8,714 thousand) all denominated in Pounds Sterling, and €727 thousand (2007: €691 thousand) of trade payables, €802 thousand (2007: €nil) of accrued expenses and €657 thousand (2007: €nil) of other payables, all denominated in Zlotys. Trade and other payables due to related parties consist of balances due to OCM Luxembourg.

## Notes to the consolidated financial statements

### 23. Provisions

<i>In thousands of euros</i>	Germany Restructuring	Transfer of Haltern	Total
Balance at 1 January 2008	255	-	255
Provisions made during the year	-	1,190	1,190
Provisions used during the year	(255)	-	(255)
Balance at 31 December 2008	-	1,190	1,190

#### Germany restructuring

This provision related to redundancies that had been made in Germany following a restructuring programme in 2007. All of this provision was utilised throughout 2008.

#### Transfer of Haltern

During the year ended 31 December 2008 the Group committed to a plan to transfer one of the production sites in Germany to the other existing sites in Germany due to its lack of profitability. Following the announcement of the plan the Group recognised a provision of €1.2 million for expected restructuring costs, including contract termination costs, professional fees and employee termination benefits. Estimated costs were based on the terms of the relevant contracts. The restructuring was ongoing at 31 December 2008.

### 24. Operating cash flow before changes in working capital and provisions

*In thousands of euros*

	Note	2008	2007
<b>Cash flows from operating activities</b>			
Loss for the period		(12,231)	(36,216)
Adjustments for:			
Depreciation and impairment of property, plant and equipment	10	19,021	20,185
Amortisation and impairment of intangible assets	11	14,901	13,631
Net finance costs	8	52,561	42,270
Loss on sale of property, plant and equipment		157	108
Taxation	9	(9,087)	(9,073)
<b>Operating cash flow before changes in working capital and provisions</b>		<b>65,322</b>	<b>30,905</b>

### 25. Financial instruments

The Group's financial assets comprise cash at bank, trade receivables and other receivables. The Group's financial liabilities comprise bank and other borrowings, financial lease obligations and other payables.

Exposure to credit, interest rate and currency risks arises in the normal course of the Group's business. Derivatives are used to manage exposure to fluctuations in interest rates.

#### Credit risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. The Group does not require collateral in respect of financial assets.

At the reporting date there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivatives in the balance sheet.

## Notes to the consolidated financial statements

### 25. Financial instruments (continued)

#### Interest rate risk

The Group's variable-rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates. Short-term receivables and payables are not exposed to interest rate risk.

Cash at bank earns interest at floating rates based on market rates.

The Group adopts a policy of ensuring that over 50 percent of its exposure to changes in interest rates is effectively hedged. Interest rate swaps and caps, denominated in Euro and Pounds Sterling, have been entered into to achieve this. Hedging documentation, as defined by IAS32, however is not in place and so movements in the value of the instruments are taken through the Income Statement.

The caps mature in the next year and have capped rates of 4.0 percent for Euro denominated caps and 5.25 percent for Pounds Sterling denominated caps.

The swaps mature over the next three years following the anticipated maturity of the related loans (see the following table) and have fixed swap rates of 3.77 and 4.00 percent for Euro denominated swaps and 5.28 and 4.96 percent for Pounds Sterling denominated swaps. The net fair value of the caps at 31 December 2008 was €10 thousand (2007: €163 thousand). The net fair value of the swaps at 31 December 2008 was (€4,125) thousand (2007: €651 thousand).

Since the year end the Directors have hedged against 90% of the Group's floating interest rate risk on senior banking facilities for the next two years. Management believes that the un-hedged 10% does not present a material interest rate risk to the business and consequently we have not sought to illustrate the effect of any interest rate sensitivity.

#### Foreign currency risk

The Group is exposed to foreign currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of Group entities. The currency giving rise to these risks are primarily Pounds Sterling (GBP) and Polish Zloty.

A movement of (+/- 20%) in the GBP / Euro exchange rate, with all other variables held constant, would result in a €0.2 million movement in the Group's 2008 loss before tax and a €15.6 million movement in the Group's equity.

The Directors have currently hedged against 50% of the UK's trading Euro requirement for 2009 and so believe that the remaining foreign exchange exposure does not present a material risk in this regard.

## Notes to the consolidated financial statements

### 25. Financial instruments (continued)

#### Liquidity risk

The following are the contractual maturities of financial liabilities, including interest payments:

Year ended 31 December 2008

<i>In thousands of euros</i>	Effective Interest Rate	Carrying amount	Total contractual cash flows	Within one year	1-2 years	2-3 years	3-5 years	5-10 years	More than 10 years
<b>Fixed rate</b>									
R&R Ice Cream Ltd PIKS A	9.00%	(152,327)	(8,746,098)	-	-	-	-	-	(8,746,098)
R&R Ice Cream Ltd PIKS B	13.13%	(57,620)	(18,957,788)	-	-	-	-	-	(18,957,788)
Roncadin Holdings GmbH	9.00%	(61,268)	(91,914)	-	-	-	-	(91,914)	-
Roncadin Holdings SAS loan	9.00%	(11,749)	(17,685)	-	-	-	-	(17,685)	-
Total OCM liabilities		(282,964)	(27,813,485)	-	-	-	-	(109,599)	(27,703,886)
Finance lease liabilities	6.00%	(3,382)	(3,239)	(2,098)	(922)	(219)	-	-	-
<b>Total fixed rate</b>		<b>(286,346)</b>	<b>(27,816,724)</b>	<b>(2,098)</b>	<b>(922)</b>	<b>(219)</b>	<b>-</b>	<b>(109,599)</b>	<b>(27,703,886)</b>
<b>Floating rate</b>									
Cash	4.50%	16,345	16,345	16,345	-	-	-	-	-
Revolver	4.10%	-	-	-	-	-	-	-	-
Term Loan A	4.10%	(28,798)	(32,097)	(5,252)	(5,889)	(6,492)	(14,464)	-	-
Term Loan A GBP	3.68%	(19,291)	(21,279)	(3,443)	(3,883)	(4,301)	(9,652)	-	-
Term Loan B	5.10%	(41,642)	(54,075)	(2,162)	(2,162)	(2,162)	(4,324)	(43,265)	-
Term Loan B GBP	4.68%	(71,447)	(90,981)	(3,398)	(3,398)	(3,398)	(6,796)	(73,991)	-
Acquisition facility	3.68%	(4,883)	(5,425)	(589)	(1,046)	(1,162)	(2,628)	-	-
<b>Total floating rate</b>		<b>(149,716)</b>	<b>(187,512)</b>	<b>1,501</b>	<b>(16,378)</b>	<b>(17,515)</b>	<b>(37,864)</b>	<b>(117,256)</b>	<b>-</b>
Deferred debt issue costs		3,506	-	-	-	-	-	-	-
<b>Total</b>		<b>(432,556)</b>	<b>(28,004,236)</b>	<b>(597)</b>	<b>(17,300)</b>	<b>(17,734)</b>	<b>(37,864)</b>	<b>(226,855)</b>	<b>(27,703,886)</b>

Included in the table above are PIK notes payable to OCM, the Group's parent company. These instruments accrue compound interest until the term of the contract expires in 2055, at which point the capital and cumulative interest accrued becomes payable. Instruments such as these with compound interest and artificially distant repayment dates are common in private equity backed businesses and typically get repaid well before the stated repayment date, such that the effect of the compound interest is fundamentally less than that shown above.

Year ended 31 December 2007

<i>In thousands of euros</i>	Effective Interest Rate	Carrying amount	Total contractual cash flows	Within one year	1-2 years	2-3 years	3-5 years	5-10 years	More than 10 years
<b>Fixed rate</b>									
R&R Ice Cream Ltd PIKS A	9.0%	(139,749)	(8,746,097)	-	-	-	-	-	(8,746,097)
R&R Ice Cream Ltd PIKS B	13.13%	(50,935)	(18,957,788)	-	-	-	-	-	(18,957,788)
Roncadin Holdings GmbH	9.00%	(57,374)	(92,798)	-	-	-	-	(92,798)	-
Roncadin Holdings SAS loan	9.00%	(10,901)	(17,685)	-	-	-	-	(17,685)	-
Total OCM liabilities		(258,959)	(27,814,368)	-	-	-	-	(110,483)	(27,703,885)
Finance lease liabilities	6.00%	(8,111)	(8,111)	(4,461)	(2,426)	(1,080)	(144)	-	-
<b>Total fixed rate</b>		<b>(267,070)</b>	<b>(27,822,479)</b>	<b>(4,461)</b>	<b>(2,426)</b>	<b>(1,080)</b>	<b>(144)</b>	<b>(110,483)</b>	<b>(27,703,885)</b>
<b>Floating rate</b>									
Cash	4.50%	7,562	7,562	7,562	-	-	-	-	-
Revolver	6.70%	(2,500)	(2,500)	(2,500)	-	-	-	-	-
Term Loan A	6.70%	(31,778)	(39,442)	(5,082)	(5,994)	(6,505)	(14,155)	(7,706)	-
Term Loan A GBP	6.10%	(27,601)	(35,351)	(4,715)	(5,471)	(5,870)	(12,567)	(6,728)	-
Term Loan B	7.20%	(41,642)	(63,286)	(3,092)	(3,092)	(3,092)	(6,184)	(47,826)	-
Term Loan B GBP	8.60%	(106,255)	(169,914)	(9,094)	(9,094)	(9,094)	(18,188)	(124,444)	-
Second Lien	10.00%	(7,500)	(13,253)	(767)	(767)	(767)	(1,534)	(9,418)	-
<b>Total floating rate</b>		<b>(209,714)</b>	<b>(316,184)</b>	<b>(17,688)</b>	<b>(24,418)</b>	<b>(25,328)</b>	<b>(52,628)</b>	<b>(196,122)</b>	<b>-</b>
Deferred debt issue costs		5,341	-	-	-	-	-	-	-
<b>Total</b>		<b>(471,443)</b>	<b>(28,138,663)</b>	<b>(22,149)</b>	<b>(26,844)</b>	<b>(26,408)</b>	<b>(52,772)</b>	<b>(306,605)</b>	<b>(27,703,885)</b>

## Notes to the consolidated financial statements

### 25. Financial instruments (continued)

#### Fair values of financial assets and financial liabilities

Set out below is a comparison by category of carrying amounts and fair values of all the Groups financial instruments.

<i>In thousands of euros</i>	Book value		Fair value	
	2008	2007	2008	2007
<b>Fixed rate</b>				
OCM Luxembourg PIKS Series A	(152,327)	(139,749)	(26,580)	(23,496)
OCM Luxembourg PIKS Series B	(57,620)	(50,935)	(57,620)	(50,935)
Roncadin Holdings GmbH 9% loan	(61,268)	(57,374)	(38,768)	(34,600)
Roncadin Holdings SAS 9% loan	(11,749)	(10,901)	(7,460)	(6,594)
Total OCM liabilities	(282,964)	(258,959)	(130,428)	(115,625)
Finance lease liabilities	(3,382)	(8,111)	(3,382)	(8,111)
Total fixed rate	(286,346)	(267,070)	(133,810)	(123,736)
<b>Floating rate</b>				
Cash	16,345	7,562	16,345	7,562
Revolver	-	(2,500)	-	(2,500)
Term Loan A	(48,089)	(59,379)	(48,089)	(59,379)
Term Loan B	(113,089)	(147,897)	(113,089)	(147,897)
Acquisition facility	(4,883)	(7,500)	(4,883)	(7,500)
Total floating rate	(149,716)	(209,714)	(149,716)	(209,714)
Deferred debt issue costs	3,506	5,341	-	-
Total	(432,556)	(471,443)	(283,526)	(333,450)

In calculating the fair values of the fixed rate debt above the directors have utilised discounted cash flow techniques using the rate of interest on the most recently arranged tranche of borrowings as an indicator of current market rates for this type of debt. In the case of the variable rate borrowings the directors believe that carrying value does not differ materially from fair value and accordingly no separate valuations were performed.

The fair value of trade and other receivables, trade and other payables and derivatives is the same as their book value.

### 26. Capital Commitments

Capital commitments at the end of the financial year, for which no provision has been made, are as follows:

<i>In thousands of euros</i>	2008	2007
Contracted	5,650	1,529

Capital commitments relate principally to obligations incurred in relation to fixed assets at the Osnabrück site in Germany and Leeming Bar site in the UK.

Total commitments under non-cancellable operating leases are as follows:

<i>In thousands of euros</i>	Land and Buildings		Other	
	2008	2007	2008	2007
<b>Operating lease commitments</b>				
Leases payments:				
Within one year	691	750	658	243
Within two to five years	959	1,673	1,409	354
In five years or more	499	501	-	-
	2,149	2,924	2,067	597



## Notes to the consolidated financial statements

### 27. Contingent Liabilities

The Group is involved in a dispute with a former UK sales agent. The dispute is currently being investigated by the Group and is currently in arbitration. In the event that financial settlement is considered probable and the amount reliably estimable provision will be made.

### 28. Defined contribution pension plan

The Group operates a defined contribution pension plan. €504 thousand (2007: €405 thousand) was recognised as an expense in the year relating to the plan.

### 29. Related parties

#### Parent and ultimate controlling party

The ultimate parent Company of the European Group is OCM Luxembourg Ice Cream SCA. The ultimate parent Company is Oaktree Capital Management LLC, Los Angeles, CA, USA.

At the year end the Group owed €231.0 million (2007: €231.4 million) in long term loans and €52.0 million (2007: €27.6 million) in accrued interest to OCM Luxembourg Ice Cream Holdings Sarl.

During the year €38 thousand (2007: €67 thousand) was charged by OCM Luxembourg Ice Cream Holdings Sarl for out of pocket expenses, in addition to a management fee of €500 thousand (2007: €500 thousand).

Key management personnel compensation comprised:

*In thousands of euros*

	2008	2007
Short-term employee benefits	1,690	1,823

Key management personnel are defined as the Group Directors, the Company Secretary and the R&R Operations Director as at 31 December 2008.

### 30. Group entities

#### Significant subsidiaries

	Principal activity	Country of incorporation	Ownership interest 2008	2007
Kelly's of Bodmin Limited <sup>(1)</sup>	See below <sup>(2)</sup>	England and Wales	75%	-
Kelly's of Cornwall Limited <sup>(1)</sup>	See below <sup>(2)</sup>	England and Wales	75%	-
Nord-Eis die Eisprofis GmbH <sup>(1)</sup>	See below <sup>(2)</sup>	Germany	100%	100%
R&R Ice Cream Deutschland GmbH <sup>(1)</sup>	See below <sup>(2)</sup>	Germany	100%	100%
R&R Ice Cream France SAS <sup>(1)</sup>	See below <sup>(2)</sup>	France	100%	100%
R&R Ice Cream UK Limited <sup>(1)</sup>	See below <sup>(2)</sup>	England and Wales	100%	100%
Richmond Foods Limited <sup>(1)</sup>	Holding company	England and Wales	100%	100%
Roncadin Holdings GmbH	Holding company	Germany	100%	100%
Roncadin Holdings SAS	Holding company	France	100%	100%
Ruby Acquisitions Limited	Holding company	England and Wales	100%	100%
Schröer Eis GmbH <sup>(1)</sup>	See below <sup>(2)</sup>	Germany	100%	100%
Zielona Budka (Mielec) SpZoo <sup>(1)</sup>	See below <sup>(2)</sup>	Poland	100%	100%

Note (1): These entities are held indirectly.

Note (2): The principal activity of all subsidiaries in the Group is the production and sale of ice cream and frozen confectionery, unless otherwise stated

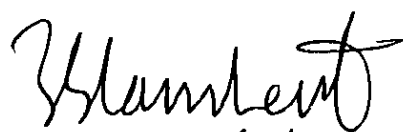
The above are all Ordinary shares.

**Company Balance Sheet**  
As at 31 December 2008

	Note	2008	2007
<i>In thousands of euros</i>			
<b>Fixed assets</b>			
Investments	1	219,443	217,152
<b>Current assets</b>			
Debtors:			
Amounts falling due after one year	2	43,178	17,844
Creditors:			
Amounts falling due within one year	3	<u>(777)</u>	<u>(393)</u>
<b>Net current assets</b>		<u>42,401</u>	<u>17,451</u>
<b>Total assets less current liabilities</b>		261,844	234,603
Creditors:			
Amounts falling due after more than one year	4	<u>(208,261)</u>	<u>(187,339)</u>
<b>Net Assets</b>		<u>53,583</u>	<u>47,264</u>
<b>Capital and reserves</b>			
Called up share capital	5	50,886	48,595
Profit and loss account	6	<u>2,697</u>	<u>(1,331)</u>
<b>Total Shareholders' funds</b>	7	<u>53,583</u>	<u>47,264</u>

These financial statements were approved by the Board of Directors on 29 April 2009 and were signed on its behalf by:

J Lambert  
Director



## Notes to the Financial Statements

### Accounting policies

#### *Basis of preparation*

The financial statements are prepared in accordance with applicable UK accounting standards and under the historical cost convention. The Company has taken the exemption under s230 (4) of the Companies Act 1985 not to publish the parent Company profit and loss account and the Company has taken exemption under FRS 1 not to present a cash flow statement on the grounds that the consolidated financial statements includes the Company.

The Company has taken advantage of the exemption to disclose transactions with fellow Group companies allowed by FRS 8 since consolidated financial statements of this Company are prepared and are publicly available from Companies House.

The following accounting policies have been applied consistently in dealing with items which are considered material to the financial statements.

#### **Investments**

Investments are stated at cost less provision for permanent diminution in value.

#### **Foreign Currencies**

The Company's functional currency and presentation currency is the Euro. Transactions in foreign currencies are initially recorded at the spot rate ruling at the time of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

#### **Loans and borrowings**

All loans and borrowings are initially recognised at fair value of the consideration received net of directly attributable transaction costs. After initial recognition, loans and borrowings are subsequently measured at amortised cost using the effective interest method.

#### **Taxation**

The charge for taxation is based on the profit for the year and takes into account, taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised without discounting, in respect of all timing differences between one treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19. The deferred tax balance has not been discounted.

## Notes to the Financial Statements

### 1. Fixed asset investments

<i>In thousands of euros</i>	Shares in Group undertakings	Loan to subsidiary	Total
<b>Cost</b>			
Balance at 1 January 2008	48,595	168,557	217,152
Additions	2,291	-	2,291
	<hr/>	<hr/>	<hr/>
At 31 December 2008	50,886	168,557	219,443
	<hr/>	<hr/>	<hr/>
<b>Provisions</b>			
Balance at 1 January 2008	-	-	-
Provided in year	-	-	-
	<hr/>	<hr/>	<hr/>
At 31 December 2008	-	-	-
	<hr/>	<hr/>	<hr/>
<b>Net book value</b>			
At 31 December 2008	50,886	168,557	219,443
	<hr/>	<hr/>	<hr/>
At 31 December 2007	48,595	168,557	217,152
	<hr/>	<hr/>	<hr/>

On 14 July 2008, the Company made a capital contribution of €2,291 thousand to Roncadin Holdings GmbH.

The principal subsidiaries are disclosed in note 30 of the Group Consolidated financial statements.

### 2. Debtors

<i>In thousands of euros</i>	2008	2007
Amounts owed by subsidiary undertakings	36,543	17,844
Deferred tax assets	6,635	-
	<hr/>	<hr/>
	43,178	17,844
	<hr/>	<hr/>

The total balance of amounts owed by subsidiary undertakings falls due in more than one year.

### 3. Creditors: amounts falling due within one year

<i>In thousands of euros</i>	2008	2007
Trade creditors and accruals	263	-
Amounts owed to parent undertakings	514	393
	<hr/>	<hr/>
	777	393
	<hr/>	<hr/>

## Notes to the Financial Statements

### 4. Creditors: amounts falling after one year

<i>In thousands of euros</i>	2008	2007
Amounts owed to parent undertakings	205,103	186,402
Amounts owed to subsidiary undertakings	3,158	937
	<u>208,261</u>	<u>187,339</u>

Amounts owed to parent undertakings include loan notes of €122,761 thousand with a coupon interest rate of 9% and loan notes of €45,797 thousand with a coupon interest rate of 13.125%. The loan notes are due for repayment on 31 December 2055.

### 5. Called up share capital

<i>In thousands of euros</i>	2008	2007
<b>Authorised</b>		
100 ordinary shares of £1 each		
299,999,900 ordinary shares of €1 each	300,000	300,000
	<u>          </u>	<u>          </u>
<b>Allotted, called up and fully paid</b>		
50,886 thousand (2007: 48,595 thousand) ordinary shares of €1 each	50,886	48,595
	<u>          </u>	<u>          </u>

2,291 thousand of €1 ordinary shares were issued to OCM Luxembourg Ice Cream Holdings at par value on 14 July 2008.

### 6. Reserves

<i>In thousands of euros</i>	Profit and loss account
At 1 January 2008	(1,331)
Retained profit for the year	4,028
	<u>          </u>
At 31 December 2008	2,697

## Notes to the Financial Statements

### 7. Reconciliation of movements in Shareholders' funds

*In thousands of euros*

**2008**

Profit for the period	4,028
Retained profit	<u>4,028</u>
New share capital issued	2,291
Net additions to shareholders' funds	<u>6,319</u>
Opening shareholders' funds	47,264
Closing shareholders' funds	<u><b>53,583</b></u>

### 8. Contingent Liabilities

The Company is involved in a dispute with a former UK sales agent. The dispute is currently being investigated by the Group and is in its early stages. In the event that financial settlement is considered probable and the amount reliably estimable provision will be made.

### 9. Ultimate parent company

The Company is a subsidiary undertaking of OCM Luxembourg Ice Cream SCA which is incorporated in Luxembourg.

The ultimate parent undertaking is OCM Luxembourg Ice Cream Sarl which is incorporated in Luxembourg.