

Company registration number 06305253

**Cucina Finance (UK) Limited**

**Annual report and financial statements**

**For the year ended 31 December 2012**

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# **Cucina Finance (UK) Limited**

## **Annual report and financial statements for the year ended 31 December 2012**

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# **Cucina Finance (UK) Limited**

## **Annual report and financial statements**

### **For the year ended 31 December 2012**

#### **Directors' report**

The directors submit their annual report and the audited consolidated financial statements for the year ended 31 December 2012

#### **Business review and principal activities**

Cucina Finance (UK) Limited is a limited company incorporated, domiciled and operating in the United Kingdom

The principal activity of the Company is that of a holding and finance company for the Cucina Finance (UK) Limited Group. The Company is part of a financing group of companies headed and controlled by Bain Capital Investors LLC. The principal activity of the Group is the specialist supply of frozen, chilled and ambient foods as well as catering supplies and equipment to the catering industry. The principal trading companies in the Group are Brake Bros Limited, Brake Bros Foodservice Limited, M&J Seafood Limited, Wild Harvest Limited, O Kane Food Service Limited, Freshfayre Limited, Brake Bros Foodservice Ireland Limited, Brake France Service SAS and Menigo Foodservice AB.

The results of the Group are set out in the consolidated income statement on page 4 and show a loss on ordinary activities before taxation of £123.3m (2011: £108.1m) for the year and revenue of £2,897.7m (2011: £2,449.8m). The results for the year are after charging exceptional costs of £24.0m (2011: £26.9m) referred to in note 3 of these financial statements.

The Group has net debt of £1,710.9m (2011: £1,650.0m) (note 24 to the financial statements) and a cash inflow from operating activities of £71.9m (2011: £82.9m).

#### **Principal risks and uncertainties**

The directors of the largest UK parent undertaking, Cucina Lux Investments Limited, manage its Group's risks and performance through its immediate subsidiary company Cucina Investments (UK) 3 Limited. For this reason a discussion of the Group's risks, together with an analysis using key performance indicators, has not been included by the Company's directors. The principal risks and uncertainties, together with the development, performance and position, and an analysis using key performance indicators of the Cucina Lux Investments Limited Group, which include those of the Company and the Group, are discussed in the business review of Cucina Lux Investments Limited's annual report, which does not form part of this report. Details of how to obtain these financial statements can be found in note 29 to the financial statements.

#### **Future outlook and going concern**

As stated above, the Company is part of a financing group of companies and therefore the going concern of the company is dependent upon the overall going concern of the group. In assessing whether the financial statements for the Group and Company should be prepared on the going concern basis, the directors have considered the future outlook of the Company and of the Group on a combined basis. A fuller analysis of this outlook and the basis for this assessment is set out in the financial statements of the largest UK parent company, Cucina Lux Investments Limited. Having considered the future operating profits, cash flows and facilities available to the Group, the directors are satisfied that the Group will have sufficient funds to repay its liabilities as they fall due. Consequently, the financial statements of the Group and the Company are prepared on the going concern basis.

#### **Dividends**

No interim dividends have been paid (2011: £nil) and the directors do not recommend a final dividend (2011: £nil).

#### **Directors**

The directors of the Company who were in office during the year and up to the date of signing the financial statements are given below:

I R Goldsmith

D Poler

F D Merry Del Val Barbavara Di Gravelona

S Gent (appointed 3 January 2012)

P Wieland (appointed 2 April 2012)

P E R Jansen was a director during the year but resigned as a director on 1 April 2013.

K McMeikan was appointed as a director on 1 April 2013.

#### **Directors' third party indemnity provisions**

A qualifying third-party indemnity provision as defined in Section 234 of the Companies Act 2006 is in force for the benefit of each of the directors in respect of liabilities incurred as a result of their office, to the extent permitted by law. In respect of those liabilities for which directors may not be indemnified, the Company maintained a directors' and officers' liability insurance policy throughout the financial year and to the date of approval of these financial statements.

#### **Employment report**

The Group aims to keep employees aware of all material factors affecting them as employees and the performance of the Group and their respective businesses. It encourages good communication through regular meetings between management and staff, enabling senior managers to consult and ascertain employees' views on all appropriate matters. This is supplemented by regular briefings, intranet and e-mail bulletins and divisional newsletters. Employees are encouraged to participate in the performance of the Group by way of bonus schemes.

The Group employs over 10,000 people. We provide extensive training and career development programmes. It is our policy to achieve and maintain a high standard of health and safety at work and to ensure everyone, regardless of race, religion or sex, and including disabled people where reasonable and practicable, is treated in the same way as regards applications for employment, training, career development and promotion. Every effort is made to help with the rehabilitation of anyone injured during their employment and to provide support; we have an Employee Care Programme.

#### **Health and safety**

As a business, the Group is strongly committed to providing a safe and responsible place to work. Concern for the wellbeing of our staff is a key element in our drive to be "a great place to work" and we demonstrate this commitment through ongoing training and education of all our employees, working closely with our insurance providers and equipment suppliers to ensure sharing of best practice and leading edge health and safety solutions.

#### **Supplier payment policy**

The Group's policy is generally to agree terms of payment with suppliers to settle invoices accordingly. The Group's policy is generally to agree terms of payment with suppliers to settle invoices accordingly. The Group does not follow any code or statement on payment practice but it is Group policy that payments to suppliers are normally made on the basis of the terms that have been agreed with them. For the Group, the average number of days taken to pay suppliers' invoices during the year was 53 days (2011: 54 days). The Company did not trade during the year and does not have any trade payables.

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**Directors' report (continued)**

**Donations**

The Group actively supports and encourages charitable activity in support of the community. Direct donations and support to national and local charitable organisations amounting to £2,875 (2011 £10,463) and £1,442 (2011 £6,410) respectively, were made in the year. Direct donations and support to national charitable organisations during the year included £1,000 to the Royal British Legion, £975 for Seeing is Believing, £500 for Help the Heroes and £400 for Rise Africa. No donations were made to any political party (2011 £nil).

**Land and buildings**

The directors consider that there is no significant difference between the Group's market value and book value of land and buildings.

**Financial risk management**

The Group has operations in the UK, the Republic of Ireland, France and Sweden and has debt financing which exposes it to a variety of financial risks that include the effects of changes in foreign currency exchange rates, interest rates, credit risks and liquidity risk.

The Group has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the Group by using foreign currency debt to hedge overseas investments in subsidiaries, and interest hedging agreements to limit the impact from potential future interest rate increases.

The Group's board of directors have the responsibility for setting the risk management policies applied by the Group. The policies are implemented by the central group treasury department that receives regular reports from the operating companies to enable prompt identification of financial risks so that the appropriate actions may be taken. The Group has a policy and procedures manual that sets out specific guidelines to manage foreign currency exchange risk, interest rate risk, credit risk, use of derivative and non-derivative financial instruments and investment of excess liquidity. Further information is given in note 17 of these financial statements.

**(a) Foreign currency exchange risk**

The Group has operations in the UK, the Republic of Ireland, France and Sweden. The Group is exposed to foreign exchange risks primarily with respect to the Euro and the Swedish Krona. The Group finance department oversees investment mainly through the use of foreign currency borrowings to hedge the foreign currency investment.

**(b) Interest rate risk**

The Group has both interest bearing assets and interest bearing liabilities. The Group's interest rate risk primarily arises from floating interest rate long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. During 2012, the Group's borrowings at variable rate were denominated in the UK pound, Euro and Swedish Krona. The Group manages its cash flow interest rate risk by using interest rate caps. Such interest rate caps have the economic effect of placing a limit on the maximum interest rate increase applied at certain future dates. Under the interest rate caps, the Group agrees with other parties that for specified future quarterly dates, if the market interest rate exceeds the interest rate cap strike rate, the difference will be paid to the Group calculated by reference to the agreed notional amounts.

**(c) Credit risk**

The Group has no significant concentrations of credit risk. Credit risk arises from cash and cash equivalents, as well as credit exposures to customers, including outstanding receivables and committed transactions. For banks independently rated parties within the band 'A' rating are used for main Group banking requirements, and wherever possible for subsidiary day to day operating requirements. For customers, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings. The Group has implemented policies that require appropriate credit checks on potential customers before sales commence.

**(d) Liquidity risk**

The Group actively maintains a mixture of long-term and short-term facilities that are designed to ensure the Group has sufficient available funds for operations and planned expansions. Management monitors rolling forecasts of the Group's liquidity reserve (comprises undrawn borrowing facility and cash and cash equivalents) on the basis of expected cash flow. The Group maintains liquidity through available cash reserves and undrawn committed borrowing facilities available primarily through its Senior Facilities Agreements. The senior banks monitor the Group's performance through quarterly covenant tests, with the Group reporting headroom on all covenant testing during the year ended 31 December 2012 and with management forecasts indicating continued covenant headroom throughout 2013.

**Independent auditors**

PricewaterhouseCoopers LLP shall remain in office until the Company or PricewaterhouseCoopers LLP otherwise determine.

**Disclosure of information to auditors**

So far as the directors are aware, there is no relevant audit information of which the auditors are unaware and the directors have taken all steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

**Statement of directors' responsibilities**

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

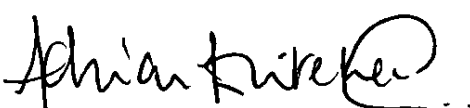
Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group and parent company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent, state whether applicable IFRSs as adopted by the European Union 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 company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Approved by the Board of Directors and signed on its behalf by



A J Whitehead  
Company Secretary  
12 April 2013

Company registration number: 06305253

Registered office  
Enterprise House  
Eureka Business Park  
Ashford  
Kent  
TN25 4AG

**Cucina Finance (UK) Limited**  
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**Independent auditors' report to the members of Cucina Finance (UK) Limited**

We have audited the group and parent company financial statements (the 'financial statements') of Cucina Finance (UK) Limited for the year ended 31 December 2012 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated and company statements of financial position, the consolidated and company statements of changes in equity, the consolidated and company statements of cash flow and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

**Respective responsibilities of directors and auditors**

As explained more fully in the statement of directors' responsibilities, as set out on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

**Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the group's and parent company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies, we consider the implications for our report.

**Opinion on financial statements**

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2012 and of the group's loss and group's and parent company's cash flows for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

**Opinion on other matter prescribed by the Companies Act 2006**

In our opinion, the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

**Christopher Burns (Senior Statutory Auditor)**  
**For and on behalf of PricewaterhouseCoopers LLP**  
Chartered Accountants and Statutory Auditors  
London  
12 April 2013

**Cucina Finance (UK) Limited**  
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**Consolidated income statement**

For the year ended 31 December 2012

	Notes	2012 £m	2011 £m
Continuing operations			
Revenue	2	2,897.7	2,449.8
Operating costs		(2,879.0)	(2,433.3)
Operating profit	3	18.7	16.5
Analysed as			
Operating profit before exceptional items		42.7	43.4
Exceptional items	3	(24.0)	(26.9)
Finance costs	4	(152.6)	(137.9)
Finance income	4	10.6	12.4
Finance costs - net		(142.0)	(125.5)
Share of profits of associate		-	0.9
Loss on ordinary activities before taxation		(123.3)	(108.1)
Income tax (charge) / credit	5	(6.4)	26.4
Loss for the year		(129.7)	(81.7)
Loss attributable to			
Owners of the parent company		(129.1)	(80.9)
Non-controlling interest		(0.6)	(0.8)
		(129.7)	(81.7)

The notes on pages 12 to 44 form an integral part of these financial statements

The company has elected to take the exemption under section 408 of the Companies Act 2006 to not present the parent company's income statement. The loss and the total comprehensive expense for the parent company for the year was £14.7m (2011: £1.8m loss).

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**Consolidated statement of comprehensive income**

For the year ended 31 December 2012

	Notes	2012 £m	2011 £m
<b>Loss for the year</b>		<b>(129.7)</b>	<b>(81.7)</b>
<b>Other comprehensive income / (expense)</b>			
Currency translation differences	22	0.2	(0.3)
Cash flow hedges	22		0.1
Acquisition of subsidiary undertaking	22		(14.1)
Actuarial losses on defined benefit pension scheme	18	(4.5)	(19.9)
Taxation on items taken directly to equity	5	0.4	4.4
<b>Other comprehensive expense for the year, net of tax</b>		<b>(3.9)</b>	<b>(29.8)</b>
<b>Total comprehensive expense for the year</b>		<b>(133.6)</b>	<b>(111.5)</b>
<b>Attributable to</b>			
Owners of the parent company		(133.0)	(110.7)
Non-controlling interest		(0.6)	(0.8)
<b>Total comprehensive expense for the year</b>		<b>(133.6)</b>	<b>(111.5)</b>

The notes on pages 12 to 44 form an integral part of these financial statements

**Cucina Finance (UK) Limited**  
**Annual report and financial statements**  
**For the year ended 31 December 2012**

**Consolidated statement of financial position**

At 31 December 2012

	Notes	2012 £m	£m	2011 £m	£m
<b>Assets</b>					
<b>Non-current assets</b>					
Goodwill	7		814 8		814 9
Intangible assets	8		378 4		422 5
Property, plant and equipment	9		195 1		190 5
Financial assets - derivative financial instruments	17 (b)		0 6		-
			1,388 9		1,427 9
<b>Current assets</b>					
Inventories	11	112 1		101 7	
Trade and other receivables	12	320 1		317 8	
Cash and cash equivalents	13	168 4		145 2	
		600 6		564 7	
<b>Liabilities</b>					
<b>Current liabilities</b>					
Financial liabilities - borrowings	16	(50 8)		(23 4)	
Financial liabilities - derivative financial instruments	17 (b)	-		(1 8)	
Trade and other payables	14	(453 2)		(398 1)	
Current income tax liabilities	15	(0 2)		(0 2)	
Provisions for other liabilities and charges	19	(1 4)		(0 7)	
		(505 6)		(422 2)	
<b>Net current assets</b>			95 0		142 5
<b>Non-current liabilities</b>					
Financial liabilities - borrowings	16	(1,826 9)		(1 770 0)	
Financial liabilities - derivative financial instruments	17 (b)	(2 2)		-	
Trade and other payables	14	(21 1)		(19 0)	
Deferred tax liabilities	20	(52 1)		(69 5)	
Retirement benefit obligations	18	(63 5)		(60 1)	
Provisions for other liabilities and charges	19	(11 3)		(11 4)	
		(1,977 1)		(1 930 0)	
<b>Net liabilities</b>			(493 2)		(359 6)
<b>Equity</b>					
Share capital	21	20 7		20 7	
Other reserves	22	(20 1)		(20 3)	
Accumulated deficit	22	(486 7)		(353 5)	
<b>Total attributable to owners of the parent company</b>		(486 1)		(353 1)	
Non-controlling interests		(7 1)		(6 5)	
<b>Total equity</b>		(493 2)		(359 6)	

The notes on pages 12 to 44 form an integral part of these financial statements

The financial statements on pages 4 to 44 were approved by the Board of Directors on 12 April 2013 and were signed on its behalf by



**P Wieland**  
Director



**Cucina Finance (UK) Limited**  
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**Company statement of financial position**

At 31 December 2012

	Notes	2012 £m	£m	2011 £m	£m
<b>Assets</b>					
<b>Non-current assets</b>					
Investments in subsidiaries	10 (a)		20 7		20 7
Trade and other receivables	12		461 1		421 9
			481 8		442 6
<b>Current assets</b>					
Trade and other receivables	12	340 3		294 4	
<b>Liabilities</b>					
<b>Current liabilities</b>					
Financial liabilities - borrowings	16	(3 8)		(3 8)	
Trade and other payables	14	(23 7)		(8 2)	
		(27 5)		(12 0)	
<b>Net current assets</b>			312 8		282 4
<b>Non-current liabilities</b>					
Financial liabilities - borrowings	16	(773 3)		(691 1)	
Trade and other payables	14	(21 1)		(19 0)	
			(794 4)		(710 1)
<b>Net assets</b>			0 2		14 9
<b>Equity</b>					
Share capital	21		20 7		20 7
Accumulated deficit	22		(20 5)		(5 8)
<b>Total equity</b>			0 2		14 9

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P Wieland  
Director

Company registration number 06305253

**Cucina Finance (UK) Limited**  
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**Consolidated statement of changes in equity**

	Notes	Attributable to owners of the parent company			Non-controlling interests	Total equity
		Share capital	Other reserves	Accumulated deficit		
		£m	£m	£m	£m	£m
<b>Balance at 1 January 2011</b>		20.7	(6.0)	(257.1)	0.3	(242.1)
<b>Comprehensive income</b>						
Loss		-	-	(80.9)	(0.8)	(81.7)
<b>Other comprehensive (expense) / income</b>						
Currency translation differences	22	-	(0.3)	-	-	(0.3)
Cash flow hedges	22	-	0.1	-	-	0.1
Actuarial losses on defined benefit pension scheme	18	-	-	(19.9)	-	(19.9)
Deferred tax on items taken directly to equity	5	-	-	4.4	-	4.4
Acquisition of subsidiary undertaking		-	(14.1)	-	-	(14.1)
<b>Total other comprehensive expense</b>		-	(14.3)	(15.5)	-	(29.8)
<b>Total comprehensive expense</b>		-	(14.3)	(96.4)	(0.8)	(111.5)
<b>Transactions with owners</b>						
Non-controlling interest on business combination		-	-	-	(6.0)	(6.0)
<b>Total transactions with owners</b>		-	-	-	(6.0)	(6.0)
<b>Balance at 1 January 2012</b>		20.7	(20.3)	(353.5)	(6.5)	(359.6)
<b>Comprehensive income</b>						
Loss		-	-	(129.1)	(0.6)	(129.7)
<b>Other comprehensive income / (expense)</b>						
Currency translation differences	22	-	0.2	-	-	0.2
Actuarial losses on defined benefit pension scheme	18	-	-	(4.5)	-	(4.5)
Deferred tax on items taken directly to equity	5	-	-	0.4	-	0.4
<b>Total other comprehensive income / (expense)</b>		-	0.2	(4.1)	-	(3.9)
<b>Total comprehensive income / (expense)</b>		-	0.2	(133.2)	(0.6)	(133.6)
<b>Balance at 31 December 2012</b>		20.7	(20.1)	(486.7)	(7.1)	(493.2)

The notes on pages 12 to 44 form an integral part of these financial statements

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**Company statement of changes in equity**

	Attributable to owners of the parent company		
	Share capital £m	Accumulated deficit £m	Total equity £m
<b>Balance at 1 January 2011</b>	<b>20.7</b>	<b>(4.0)</b>	<b>16.7</b>
<b>Comprehensive expense</b>			
<b>Loss</b>	-	(1.8)	(1.8)
<b>Balance at 1 January 2012</b>	<b>20.7</b>	<b>(5.8)</b>	<b>14.9</b>
<b>Comprehensive expense</b>			
<b>Loss</b>	-	(14.7)	(14.7)
<b>Balance at 31 December 2012</b>	<b>20.7</b>	<b>(20.5)</b>	<b>0.2</b>

The notes on pages 12 to 44 form an integral part of these financial statements

**Cucina Finance (UK) Limited**  
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**Consolidated statement of cash flows**

For the year ended 31 December 2012

	Notes	2012 £m	£m	2011 £m	£m
<b>Cash flows from operating activities</b>					
Cash generated from operations	23		119.9		126.1
<b>Analysed as</b>					
Cash generated from operations before exceptional items			145.6		137.7
Exceptional items			(25.7)		(11.6)
Interest paid			(42.7)		(40.5)
Income tax paid			(5.3)		(2.7)
<b>Net cash generated from operating activities</b>			71.9		82.9
<b>Cash flows from investing activities</b>					
Purchase of property, plant and equipment		(25.9)		(26.5)	
Purchase of intangible assets		(9.7)		(5.3)	
Sale of property, plant and equipment		15.7		1.3	
Sale and leaseback of property, plant and equipment		8.1		-	
Interest received		0.9		0.3	
Acquisition of subsidiaries net of cash acquired		-		(7.6)	
<b>Net cash used in investing activities</b>			(10.9)		(37.8)
<b>Cash flows from financing activities</b>					
Loans to parent undertakings		(0.3)		(0.8)	
Transaction costs arising on obtaining debt finance		(15.8)		(1.5)	
Proceeds from borrowings		-		46.2	
Repayment of borrowings		(10.6)		(23.4)	
Finance lease capital repayments		(10.6)		(6.9)	
<b>Net cash (used in) / generated from financing activities</b>			(37.3)		13.6
<b>Net increase in cash and cash equivalents</b>			23.7		58.7
Cash and cash equivalents at 1 January	24		145.2		87.4
<b>Effects of exchange rate changes</b>			(0.5)		(0.9)
<b>Cash and cash equivalents at 31 December</b>	24		168.4		145.2

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**Company statement of cash flows**

For the year ended 31 December 2012

	Notes	2012 £m	2011 £m
Cash flows from operating activities			
Cash used in operations	23	-	-
Net cash used in operating activities		-	-
Net increase in cash and cash equivalents		-	-
Cash and cash equivalents at 1 January		-	-
Cash and cash equivalents at 31 December		-	-

The notes on pages 12 to 44 form an integral part of these financial statements

**Cucina Finance (UK) Limited**  
**Annual report and financial statements**  
**For the year ended 31 December 2012**

**Notes to the financial statements**

**1 Accounting policies**

**General information**

These financial statements are the consolidated financial statements of Cucina Finance (UK) Limited (the Group\*) and the parent company financial statements of Cucina Finance (UK) Limited (the Company\*) for the year ended 31 December 2012. These Group consolidated financial statements were authorised for issue by the Board of Directors on 12 April 2013.

**Significant accounting policies**

The Group's principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all years unless otherwise stated.

**Basis of preparation**

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU), IFRIC Interpretations and the Companies Act 2006 applicable to companies reporting under IFRS. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

The preparation of these consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed below within critical accounting estimates and assumptions.

At the year end, the Group had net liabilities amounting to £493.2m (2011: £359.6m) and the Company had net assets amounting to £0.2m (2011: £14.9m). The Company is part of a financing group of companies and therefore the going concern of the company is dependent upon the overall going concern of the group. In assessing whether the financial statements for the Group and Company should be prepared on the going concern basis, the directors have considered the future outlook of the Company and of the Group on a combined basis. A fuller analysis of this outlook and the basis for this assessment is set out in the financial statements of the largest UK parent company, Cucina Lux Investments Limited. Having considered the future operating profits, cash flows and facilities available to the Group, the directors are satisfied that the Group will have sufficient funds to repay its liabilities as they fall due. On this basis, the directors consider it appropriate to prepare the consolidated and parent financial statements on the going concern basis.

**(a) New and amended standards adopted by the Group**

There are no IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning on or after 1 January 2012 that would be expected to have a material impact on the group.

**(b) New standards and interpretations not yet adopted by the Group**

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2012 and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the group, except the following set out below:

**Amendment to IAS 1 Financial statement presentation regarding other comprehensive income** The main change resulting from these amendments is a requirement for entities to group items presented in other comprehensive income (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI.

**IFRS 13 Fair value measurement** aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP.

**IAS 19 Employee benefits** was amended in June 2011. The impact on the Group will be as follows: to reverse the reserve held for future administration expenses and to recognise them within operating costs as incurred, and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability. For 2012 the impact to the Group of the amendments would have been an increase in net finance costs amounting to £0.9m, a reduction of £1.2m in the actuarial loss in the consolidated statement of comprehensive income, the administration expenses reserve reversal would reduce the present value of funded obligations from £193.6m to £186.0m and the operating profit would be lower due to £0.2m of administration expense charges.

**IFRS 9 Financial instruments** addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the consolidated income statement, unless this creates an accounting mismatch. The Group is yet to assess IFRS 9's full impact and intends to adopt IFRS 9 no later than the accounting period beginning on or after 1 January 2015, subject to endorsement by the EU. The Group will also consider the impact of the remaining phases of IFRS 9 when completed by the Board.

**IFRS 10 Consolidated financial statements** builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The Group is yet to assess IFRS 10's full impact and intends to adopt IFRS 10 no later than the accounting period beginning on or after 1 January 2013.

**IFRS 12 Disclosures of interests in other entities** includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The Group is yet to assess IFRS 12's full impact and intends to adopt IFRS 12 no later than the accounting period beginning on or after 1 January 2013.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

**(a) Subsidiaries**

These consolidated financial statements consolidate the financial statements of the Company and all its subsidiary undertakings. Subsidiaries include special purpose entities where the substance of the relationship between the Group and the special purpose entity indicates that it is controlled by the Group. Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any assets or liability arising from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated statement of comprehensive income.

For transactions with entities under common control, the available exemption from IFRS 3 Business Combinations is taken and the predecessor method of accounting is used. The identifiable assets and liabilities are measured at their pre-combination carrying value including any previously consolidated goodwill. Any differences on consolidation (ie. between the cost of investment and the carrying value of the net assets) are recognised in equity in retained earnings. The Group recognises the results of the acquired entity from the date on which the business combination between entities under common control occurred.

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**1 Accounting policies (continued)**

**Basis of consolidation (continued)**

Uniform accounting policies are adopted across the group. Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

**(b) Transactions and non-controlling interests**

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in the consolidated income statement. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest in the associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to the consolidated income statement.

If the ownership in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to the consolidated income statement where appropriate.

**(c) Associates**

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost.

The Group's share of its associates' post-acquisition profits or losses is recognised in the consolidated income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associate. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the accounting policies adopted by the Group.

Dilution gains and losses arising in investments in associates are recognised in the consolidated income statement.

**Revenue**

Revenue comprises the fair value of the consideration received or receivable for the sale of products and services, including ancillary revenues, net of value added tax, rebates and discounts and after eliminating sales within the Group.

Revenue is recognised when the Group has delivered the products or service, has transferred to the buyer the significant risks and rewards of ownership and when it is considered probable that the related receivable is collectable. Rebates and discounts are recognised when the Group has delivered the products and services and when it is considered probable that the obligation is receivable or payable, respectively.

**Segmental information**

Although the Group is not required to apply IFRS 8 'Operating Segments', segmental information has been provided as follows - the Group's primary reporting format is business segments and its secondary format is geographical segments. A business segment is a component of the Group that is engaged in providing a group of related products and is subject to risks and returns that are different from those of other business segments. A geographical segment is a component of the Group that operates within a particular economic environment and that is subject to risks and returns that are different from those of components operating in other economic environments.

Segment results include revenue and expenses which are directly attributable to or can be allocated to the segment on a reasonable basis. Segment assets and liabilities are those operating assets and liabilities directly attributable to a segment or can be allocated to the segment on a reasonable basis.

**Exceptional items**

Where items of income and expense included in the consolidated income statement are considered to be material and exceptional in nature, separate disclosure of their nature and amount is provided in the financial statements. These items are classified as exceptional items. The Group considers the size and nature of an item both individually and when aggregated with similar items, when considering whether it is material.

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**1 Accounting policies (continued)**

**Property, plant and equipment**

Property, plant and equipment is shown at historical cost or valuation less subsequent depreciation and impairment.

Cost represents invoiced cost plus any other costs that are directly attributable to the acquisition of the item. The Group capitalises borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset and for non-qualifying assets charges borrowing costs to the consolidated income statement.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be reliably measured. All other repairs and maintenance are charged to the consolidated income statement during the financial year in which they are incurred.

No depreciation is provided on freehold land.

Depreciation is provided on all other property, plant and equipment to write down their cost or, where their useful economic lives have been revised, their carrying amount at the date of revision to their estimated residual values on a straight-line basis over the periods of their estimated or revised remaining useful economic lives respectively. These lives are considered to be:

Freehold buildings	- between 17 and 40 years
Leasehold buildings	- the period of the lease or 40 years whichever is the shorter
Motor vehicles	- between 5 and 10 years
Plant and equipment	- between 3 and 40 years
Information technology hardware	- between 3 and 5 years

Asset lives and residual values are reviewed during each financial year. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Profits and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within the consolidated income statement.

**Investments in subsidiaries**

Investments in subsidiaries held as non-current assets are accounted for at cost less a provision for any impairment in value. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes directly attributable costs of investments. If the directors consider that fair value of investments in subsidiaries are below their carrying value then a provision for impairment would be made.

**Intangible assets**

**(a) Goodwill**

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in 'intangible assets'. Goodwill is not subject to annual amortisation but is instead tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

**(b) Computer software**

Acquired computer software licences are capitalised as an intangible asset on the basis of the costs incurred to acquire and bring into use the specific software. Directly attributable costs associated with the development of software that are expected to generate future economic benefits are capitalised as part of computer software.

Where software costs are capitalised they are amortised using the straight-line basis to write them down to their estimated realisable value over their estimated useful economic lives which are considered to be between three and five years.

The residual value and useful economic life are reviewed and adjusted if appropriate at each date of the statement of financial position.

**(c) Customer contracts and relationships**

Customer contracts and relationships are acquired separately or as part of a business combination.

For those customer contracts or relationships acquired separately, an intangible asset is recognised on the basis of the costs to acquire the customer contracts and relationships together with any directly attributable costs of acquiring the asset.

For those customer contracts and relationships acquired as part of a business combination, the fair value of the asset is recognised at the date of the acquisition, in accordance with IFRS 3 (revised).

Customer contracts and relationships are amortised on a straight-line basis over their expected useful economic lives, which are considered to be between 6 and 16 years. These are assumed to have no residual value at the end of their expected useful economic life.

**(d) Brands**

Brands are acquired separately or as part of a business combination.

For those brands acquired separately, an intangible asset is recognised on the basis of the costs to acquire the brands together with any directly attributable costs of acquiring the asset.

For those brands acquired as part of a business combination, the fair value of the asset is recognised at the date of the acquisition, in accordance with IFRS 3 (revised).

Brands are amortised on a straight-line basis over their expected useful economic lives, which are considered to be 25 years. These are assumed to have no residual value at the end of their expected useful economic life.

**Impairment of non-financial assets**

Assets that have an indefinite useful economic life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

**Inventories**

Inventories are stated at the lower of cost and net realisable value. Provision is made for obsolete and slow-moving items. Cost comprises direct purchase costs and overheads that have been incurred in bringing the inventories to their present location and condition. Direct purchase cost is calculated on a weighted average cost basis. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.



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**1 Accounting policies (continued)**

**Trade receivables**

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost less provision for impairment. A provision for impairment is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 2 months overdue) are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of a trade receivables impairment account, and the amount of the loss is recognised in the consolidated income statement within direct purchase cost. When a trade receivable is uncollectable it is written off against the trade receivables impairment account. Subsequent recoveries of amounts previously written off are credited in the consolidated income statement.

**Trade receivables - factored**

Where the Group has sold trade receivables to a third party with recourse the Group continues to bear the risks and rewards of these amounts.

**Cash and cash equivalents**

Cash and cash equivalents comprise cash at bank (being the cash book balance) and in hand, short-term deposits and other short-term highly liquid investments with original maturities of three months or less held for the purpose of meeting short-term cash commitments. Bank overdrafts are presented in current liabilities to the extent that there is no right of offset with cash balances.

**Current and deferred income tax**

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the date of the statement of financial position. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full using the liability method on temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the date of the statement of financial position and are expected to apply when the related deferred income tax asset is realised. Deferred income tax is measured on an undiscounted basis.

Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the temporary differences can be utilised.

**Employee benefits**

**Defined benefit pension plan**

The Group operates a defined benefit funded pension scheme covering a number of its employees. The scheme is a contracted out defined benefit scheme, providing final salary related benefits accrued for each year of service. The scheme was made fully paid up at 31 December 2003 and no further benefits are accruing to members subsequent to this date.

The charge in the consolidated income statement in respect of the defined benefit pension scheme comprises the interest charge on pension liabilities offset by the expected return on pension scheme assets and is recognised in interest payable and similar charges and interest receivable respectively.

The liability recognised in the statement of financial position in respect of the defined benefit pension scheme is the present value of the defined benefit obligation at the date of the statement of financial position less the fair value of the plan assets. The independent actuary, using the projected unit credit method and assumptions agreed with the trustees and directors, calculates the defined benefit obligation annually. The present value of the defined benefit obligation is determined by discounting the estimated future cash flows using interest rates of high-quality corporate bonds that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses arise from experience adjustments (the effects of differences between previous actuarial assumptions and what has actually occurred) and changes in actuarial assumptions. Actuarial gains and losses are recognised in full in the year they occur in the statement of comprehensive income.

**Defined contribution plan**

For defined contribution plans, the Group pays contributions to Group money purchase pension plans on a contractual basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense when they are due.

**Provisions**

Provisions are formed for legally enforceable or constructive obligations existing on the date of the statement of financial position, the settlement of which is likely to require outflow of resources and the extent of which can be reliably estimated. Where material to the financial statements, provisions are discounted over the life of their expected cash flows.

**Trade payables**

Trade payables are non interest-bearing and are stated at amortised cost.

**Leases**

Leases in which a significant portion of the risks and rewards of ownership are transferred to the Group are classified as finance leases.

Assets acquired under finance leases are included in the statement of financial position as property, plant and equipment and are depreciated over the shorter of their useful lives and the lease term. The capital element of future rentals is treated as a liability. Rentals are apportioned between reductions of the respective liabilities and finance charges, which are dealt with under finance costs in the consolidated income statement.

Rentals paid under operating leases (those leases where a significant portion of the risks and rewards of ownership are retained by the lessor) are charged to the consolidated income statement over the term of the lease.

**Foreign currencies**

Items included in the financial statements of the Group's subsidiary companies are measured using the currency of the primary economic environment in which the subsidiary operates (the functional currency). The consolidated financial statements are presented in sterling, which is the Group and Company's functional and presentational currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the relevant functional currency at the rates of exchange ruling at the date of the statement of financial position. Differences arising on translation are charged or credited to the consolidated income statement except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

The income statements of foreign subsidiary companies are translated into sterling at monthly average exchange rates and the statements of financial position are translated at the exchange rates ruling at the date of the statements of financial position. On consolidation, exchange differences arising from the translation of the net investment in foreign subsidiaries and of borrowings designated as hedges of such investments are taken to shareholders' equity. These exchange differences are disclosed as a separate component of shareholders' equity within other reserves.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

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**1 Accounting policies (continued)**

**Borrowings and finance costs**

Borrowings are recognised initially at fair value being the issue proceeds net of any transaction costs incurred

Borrowings are subsequently measured at amortised cost using the effective interest method. Amortised cost is adjusted for the amortisation of any transaction costs. The amortisation is recognised in finance costs. Transaction costs are amortised over the expected term of the related financial instruments.

All borrowings denominated in currencies other than sterling are translated at the rate ruling at the date of the statement of financial position.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the date of the statement of financial position.

**Finance income**

Finance income is recognised on a time-proportion basis using the effective interest method.

**Financial assets**

The Group classifies its financial assets in the following category: loans and receivables. The classification is based on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets except for maturities greater than 12 months after the date of the statement of financial position. These are classified as non-current assets. The Group's loans and receivables comprise trade and other receivables and cash and cash equivalents in the statement of financial position.

**Derivative financial instruments**

The Group uses derivative financial instruments principally interest rate swaps to manage the interest rate risk on interest payments. The Group does not use derivative financial instruments for speculative purposes.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and subsequently re-measured at fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either:

- hedges of a particular risk associated with a recognised asset or liability or a highly probable forecasted transaction (cash flow hedge) or
- hedges of a net investment in a foreign operation (net investment hedge).

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

The fair value of derivative instruments used for hedging purposes are disclosed in note 17 (b). Movements on the hedging reserve in shareholders' equity are shown in note 22. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than one year, and as a current asset or liability when the remaining maturity of the hedged item is less than one year.

**(a) Cash flow hedge**

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in 'finance costs - net' in the consolidated income statement.

Amounts accumulated in equity are recycled in the consolidated income statement in the periods when the hedged item affects profit or loss. The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in the consolidated income statement within 'finance costs - net'. The gain or loss relating to the ineffective portion of interest rate swaps hedging variable rate borrowings is recognised in the consolidated income statement within 'finance costs - net'.

When a hedging instrument expires or is sold, or where a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the consolidated income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the consolidated income statement within 'finance costs - net'.

**(b) Net investment hedge**

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges.

Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the consolidated income statement within 'finance costs - net'.

Gains and losses accumulated in equity are included in the consolidated income statement when the foreign operation is partially disposed of or sold.

**Share capital**

Where the Company issues shares or other financial instruments, these financial instruments are classified as a financial liability, financial asset or equity according to the substance of the contractual arrangement or its component parts. Incremental costs directly attributable to the issue of new shares are shown in the same respective category to which the costs relate. Dividends or interest arising on such financial instruments are recognised according to the classification of the financial instrument.

**Critical accounting estimates and assumptions**

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

**(a) Estimated impairment of goodwill**

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated above. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates (see note 7).

A sensitivity analysis has been performed on the key assumptions used for assessing the goodwill. The directors have concluded that in the case of Broadline UK, Broadline Continental Europe (for further details on what comprises Broadline see note 7 to the financial statements) and Country Choice there is no impairment because they have headroom of recoverable amounts in excess of carrying values of 32% (2011: 28%), 222% (2011: 185%) and 66% (2011: 60%) respectively and it is considered that there are no reasonably possible changes in key assumptions which would cause the carrying amount of goodwill to exceed its value-in-use. There is no goodwill being carried in the consolidated statement of financial position at 31 December 2012 for the M&J Seafood CGU as this has previously been impaired.

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**1 Accounting policies (continued)**

**Critical accounting estimates and assumptions (continued)**

*(b) Estimated impairment of brands and customer contracts and relationships*

In addition to testing annually whether goodwill has suffered any impairment the Group also tests annually for the M&J Seafood CGU if brands and customer contracts and relationships have suffered any impairment

A sensitivity analysis has been performed on the key assumptions used for assessing the brands and customer contracts and relationships. The directors have concluded that for M&J Seafood they have headroom of recoverable amounts in excess of carrying values of 30% and it is considered that there are no reasonably possible changes in key assumptions which would cause the carrying amount of brands and customer contracts and relationships to exceed their value-in-use

*(c) Employee benefits – defined pension obligation*

Following the amendment to IAS 19 Employee Benefits issued in December 2004 the Group has adopted an accounting policy whereby actuarial gains and losses for the UK defined benefit pension scheme are taken through the statement of comprehensive income in full each year and the full deficit on an IAS 19 basis is included within the statement of financial position

The defined benefit pension obligation has been calculated by the scheme actuary for each reporting date using the projected unit credit method and assumptions agreed with the Group (see note 18)

One of the key assumptions used in determining the valuation at 31 December 2012 is the UK discount rate of 4.7%. Whilst the directors consider that the adoption of a 4.7% discount rate is appropriate if the rate used had been 0.2% higher or lower the retirement benefit obligation would have been approximately £7.1m lower or higher. Another key assumption used in determining the valuation is the mortality assumption. If the average life expectancy in years of pensioner retiring was 1 year higher or lower than that used in the valuation the retirement benefit obligation would have been approximately £4.8m higher or lower

*(d) Income taxes – deferred taxation*

The group is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the group's provision for deferred taxation. There are certain calculations for which the ultimate tax determination is uncertain. The group recognises liabilities and assets for anticipated tax issues based on estimates of whether additional taxes will be due or recoverable. Where the final outcome of these matters is different from the amounts that were initially recorded such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made

A deferred tax asset of £5.4m is recognised in respect of certain UK tax losses. The key assumption used in recognition of this asset is based upon management's forecasts for taxable profits for the next three years and the assumption that the losses will be available for utilisation. If management's forecasts were 10% higher or lower then the deferred tax asset would be £0.5m higher or lower and income taxes in the consolidated income statement would be £0.5m lower or higher respectively. If the tax losses were subsequently found not to be available for utilisation against taxable profits then the deferred tax asset would no longer be recognised and there would be a charge of £5.4m in income taxes in the consolidated income statement.

*(e) Funding liquidity going concern and covenant compliance*

The Group actively maintains a mixture of long term and short-term facilities that are designed to ensure the Group has sufficient available funds for operations and planned expansions. Management monitors rolling forecasts of the Group's liquidity reserve (comprises undrawn borrowing facility and cash and cash equivalents) on the basis of expected cash flow. The Group maintains liquidity through available cash reserves and undrawn committed borrowing facilities available primarily through its Senior Facilities Agreements. The senior banks monitor the Group's performance through quarterly covenant tests with the Group reporting headroom on all covenant testing during the year ended 31 December 2012 and with management forecasts indicating continued covenant headroom throughout 2013

In assessing whether the financial statements for the Group are prepared on the going concern basis the directors have considered the future outlook of the Group. Having considered the future operating profits, cash flows and facilities available to the Group the directors are satisfied that the Group will have sufficient funds to repay its liabilities as they fall due. Consequently the financial statements are prepared on the going concern basis

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**2. Segmental information**

Primary reporting format: business segments

For the year ended 31 December 2012	UK £m	France £m	Sweden £m	Total £m	Eliminations £m	Group £m
<b>Operations</b>						
Revenue - external customers	1,954.0	509.9	433.8	2,897.7		2,897.7
Revenue - other business segments	8.9		-	8.9	(8.9)	-
<b>Segment operating profit</b>	<b>13.1</b>	<b>4.4</b>	<b>1.2</b>	<b>18.7</b>		<b>18.7</b>
<b>Analysed as</b>						
Segment result before exceptional items	34.2	5.3	3.2	42.7		42.7
Exceptional items	(21.1)	(0.9)	(2.0)	(24.0)		(24.0)
<b>Finance costs</b>						<b>(152.6)</b>
<b>Finance income</b>						<b>10.6</b>
<b>Finance costs - net</b>						<b>(142.0)</b>
<b>Loss before tax</b>						<b>(123.3)</b>
<b>Income tax income</b>						<b>(6.4)</b>
<b>Loss for the year</b>						<b>(129.7)</b>
<b>Segment assets</b>	<b>1,422.6</b>	<b>236.3</b>	<b>115.5</b>	<b>1,774.4</b>	<b>-</b>	<b>1,774.4</b>
<b>Unallocated assets</b>						
financial assets (derivative financial instruments)						0.8
amounts owed by parent undertakings						46.1
cash and cash equivalents						166.4
<b>Total assets</b>						<b>1,989.5</b>
<b>Segment liabilities</b>	<b>350.6</b>	<b>84.0</b>	<b>84.1</b>	<b>518.7</b>		<b>518.7</b>
<b>Unallocated liabilities</b>						
financial liabilities (derivative financial instruments)						2.2
current tax liabilities						0.2
deferred tax liabilities						62.1
amounts owed to parent undertakings						25.0
other payables						6.8
corporate borrowings						1,677.7
<b>Total liabilities</b>						<b>2,482.7</b>
<b>Other segment items</b>						
Capital expenditure (property, plant and equipment and intangible assets)	34.4	22.6	2.7	59.7	-	59.7
Depreciation	22.9	6.4	3.2	32.5	-	32.5
Amortisation of intangible assets						
brands	7.8	0.6	0.1	8.5		8.5
customer contracts and relationships	34.4	3.3	0.4	38.1		38.1
computer software	4.7	1.2	1.2	7.1		7.1
Impairment of trade receivables	2.9	1.2	0.5	4.6	-	4.6

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**2. Segmental information (continued)**

For the year ended 31 December 2011	UK £m	France £m	Sweden £m	Total £m	Eliminations £m	Group £m
<b>Operations</b>						
Revenue - external customers	1 801.5	514.0	134.3	2 449.8		2 449.8
Revenue - other business segments	4.9	0.1		5.0	(5.0)	
<b>Segment operating profit</b>	<b>4.8</b>	<b>10.8</b>	<b>1.1</b>	<b>16.5</b>		<b>16.5</b>
<b>Analysed as</b>						
Segment result before exceptional items	31.1	10.8	1.5	43.4		43.4
Exceptional items	(26.3)	(0.2)	(0.4)	(26.9)		(26.9)
<b>Finance costs</b>						(137.9)
<b>Finance income</b>						12.4
<b>Finance costs - net</b>						(125.5)
<b>Share of profits of associate</b>						0.9
<b>Loss before tax</b>						(108.1)
<b>Income tax income</b>						26.4
<b>Loss for the year</b>						(81.7)
<b>Segment assets</b>	<b>1 451.5</b>	<b>224.0</b>	<b>108.9</b>	<b>1 784.4</b>	<b>-</b>	<b>1 784.4</b>
<b>Unallocated assets</b>						
- financial assets (derivative financial instruments)						-
- amounts owed by parent undertakings						63.0
- cash and cash equivalents						145.2
<b>Total assets</b>						<b>1 992.6</b>
<b>Segment liabilities</b>	<b>306.9</b>	<b>85.8</b>	<b>71.3</b>	<b>463.8</b>		<b>463.8</b>
<b>Unallocated liabilities</b>						
financial liabilities (derivative financial instruments)						1.8
current tax liabilities						0.2
deferred tax liabilities						69.5
amounts owed to parent undertakings						21.7
other payables						1.8
corporate borrowings						1,793.4
<b>Total liabilities</b>						<b>2 352.2</b>
<b>Other segment items</b>						
Capital expenditure (property plant and equipment and intangible assets)	28.7	9.8	0.9	39.4		39.4
Depreciation	22.7	3.5	0.9	27.1		27.1
Amortisation of intangible assets						-
- brands	7.8	0.8		8.4		8.4
- customer contracts and relationships	32.1	3.2	0.1	35.4		35.4
- computer software	5.0	0.8	0.1	5.9		5.9
Impairment of trade receivables	3.1	0.8	0.3	4.2		4.2

Allocated segment assets comprise goodwill £814.8m (2011: £814.9m), intangible assets £378.4 (2011: £422.5m), property, plant and equipment £195.1m (2011: £190.5m), inventories £112.1m (2011: £101.7m) and trade and other receivables £274.0m (2011: £254.8m).

Allocated segment liabilities comprise trade and other payables and of £442.5m (2011: £391.6m), provisions for other liabilities and charges of £12.7m (2011: £12.1m) and retirement benefit obligations of £83.5m (2011: £80.1m).

Information for the Republic of Ireland operations is included within the UK business segment and in the UK geographical segment as the amounts are not considered material for separate disclosure.

**Secondary reporting format - geographical segments**

	UK		Continental Europe		Unallocated assets / (liabilities)		Group	
	2012 £m	2011 £m	2012 £m	2011 £m	2012 £m	2011 £m	2012 £m	2011 £m
<b>Continuing operations</b>								
Revenue - products	1,954.0	1 801.5	943.7	848.3	-		2,897.7	2 449.8
Segment assets	1,422.6	1 451.5	351.8	332.9	215.1	208.2	1 989.5	1 992.6
Segment liabilities	(350.6)	(306.9)	(168.1)	(156.9)	(1,964.0)	(1 888.4)	(2,482.7)	(2 352.2)
Capital expenditure	34.4	28.7	25.3	10.7	-		59.7	39.4

The revenue analysis in the table above is based on the location of the customer which is not materially different from the location where the order is received and where the assets are located.

**Company**

The Company's business is to invest and then provide finance to its subsidiaries and operates in a single segment.

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**3 Operating profit**

	2012 £m	2011 £m
Revenue	2 897.7	2 449.8
Direct purchase cost	(2,217.1)	(1,848.5)
Trading profit	680.6	601.3
Distribution and selling costs	(505.8)	(441.8)
Gross profit	174.8	159.5
Administrative expenses	(78.4)	(86.4)
Exceptional items (see below)	(24.0)	(28.9)
Amortisation of intangible assets – brands and customer contracts and relationships	(46.6)	(43.8)
Amortisation of intangible assets – computer software	(7.1)	(5.9)
Total administrative expenses	(156.1)	(143.0)
Group operating profit	19.7	16.5
Operating profit is arrived at after charging / (crediting)	£m	£m
Employee benefit expense (note 25)	330.9	286.3
Inventories		
cost of inventories recognised as an expense (included in direct purchase cost)	2 207.2	1 840.8
write downs and losses incurred in the year	4.3	7.0
Amortisation of intangible assets – brands and customer contracts and relationships	46.6	43.8
Amortisation of intangible assets – computer software	7.1	5.9
Depreciation of property, plant and equipment		
owned assets	22.2	21.2
assets held under finance leases	10.3	5.9
(Profit) / loss on sale of property, plant and equipment	(3.8)	0.2
Other operating lease rentals payable		
- plant and machinery	14.8	16.4
- property	19.8	12.8
Repairs and maintenance expenditure on property, plant and equipment	28.8	24.3
Trade receivables impairment	4.6	4.2
Exceptional items		
Business change costs	6.4	10.5
Restructuring of the UK distribution network	6.7	1.2
Other UK restructuring and other costs	1.7	2.5
Brake France Service SAS restructuring costs	0.9	0.2
Menigo Foodservice AB restructuring costs	1.6	
Transaction costs	3.6	0.4
Loss on disposal of Browns Foodservice	1.1	
Impairment of goodwill / brands and customer contracts and relationships	-	12.1
Total exceptional items	24.0	26.9

**Business change costs**

Significant business change costs amounting to £8.4m (2011: £10.5m) have been incurred during the year primarily on external consultancy projects delivering fundamental business change and operational restructure across the group.

**Restructuring of the UK distribution network**

Restructuring has taken place in the UK in order to redevelop the distribution network and infrastructure with costs in the year amounting to £6.7m (2011: £1.2m). During the implementation of this restructure, a large number of one-off costs are being incurred and a dedicated team of Brakes employees have been recruited to manage the project. The restructuring costs incurred primarily related to project management costs, the closure of depots and the restructuring costs relate to redundancy payments and other exceptional operating costs incurred during the period prior to closure and also costs in relation to start up and dual running costs when opening and closing depots. During 2012 a new depot in Reading was opened and 3 depots were closed. Also in 2012 a decision has been made to build a new distribution centre in Warrington with completion in 2013. The costs incurred in 2011 primarily related to the development of a new depot in Reading.

**Other UK restructuring and other costs**

Other UK restructuring costs of £1.7m (2011: £2.5m) primarily include redundancy costs incurred from a UK headcount reduction programme. In respect of redundancy cost where staff have been notified of their redundancy during the year, a full accrual is made for their costs from the date of notification and these costs are classified as exceptional items.

**Brake France Service SAS restructuring costs**

Brake France Service SAS incurred restructuring costs of £0.9m (2011: £0.2m) in relation to roles permanently removed from the business during the year.

**Menigo Foodservice AB restructuring costs**

Menigo Foodservice AB incurred restructuring costs of £1.6m in relation to roles permanently removed from the business during the year.

**Transaction costs**

Transaction costs are for professional and legal fees incurred by advisors acting on behalf of the Group. In 2012 costs amounting to £3.6m (2011: £0.4m) were incurred including transaction fees invoiced for prior years business combinations, transaction fees for acquiring customer contracts and relationships, management incentive scheme consulting advice and also fees incurred in considering potential market opportunities. During 2011 the costs incurred were from considering potential market opportunities.

**Loss on disposal of Browns Foodservice**

Following a thorough review of the Browns Foodservice operation it was decided during the year to sell the business resulting in a loss on disposal of £1.1m.

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**3 Operating profit (continued)**

**Audit services**

During the year the Group (including its overseas subsidiaries) obtained the following services from the Group's auditors and its associates at the following costs

Fees payable to the Company's auditor and its associates for the audit of the parent company and consolidated financial statements amounted to £15 000 (2011: £15 000). Fees payable to the Company's auditor and its associates for other services are detailed as follows

	2012 £m	2011 £m
<b>Other services</b>		
The audit of the company's parent and subsidiary undertakings	0.5	0.7
Tax compliance service	0.2	0.2
Other non-audit services	0.1	0.1
	<b>0.8</b>	<b>1.0</b>

The Group's auditors also acted as auditors to the Brake Bros plc Pension Scheme and the Brakes Money Purchase Pension Plan. The appointment of auditors to these schemes and the fees paid are agreed by the Trustees of each scheme who act independently to the management of the Group. The aggregate fees charged were £22 500 (2011: £26 750).

**4 Finance costs - net**

	2012 £m	2011 £m
<b>Finance costs</b>		
Bank loans	(5.7)	(2.8)
Senior bank loans	(40.4)	(41.1)
Payment-in-kind loan	(12.5)	(13.0)
Payment-in-kind loan owed to parent undertaking	(8.7)	(8.7)
Shareholder loan owed to parent undertaking	(62.4)	(54.2)
Other loans owed to parent undertaking	(1.0)	(1.0)
Other loans and charges	(1.4)	(1.1)
Amortisation of debt issue costs	(5.4)	(5.8)
Finance leases	(1.9)	(1.7)
Interest on pension scheme liabilities	(9.7)	(9.8)
Fair value losses from interest rate caps with deferred premiums (note 17 (b))	(3.5)	(0.7)
<b>Total finance costs</b>	<b>(152.8)</b>	<b>(137.9)</b>
<b>Finance income</b>		
Interest income on short term deposits	0.5	0.1
Other interest income	0.4	0.2
Foreign exchange gains on financing activities	1.3	2.3
Expected return on pension scheme assets	6.2	9.8
<b>Total finance income</b>	<b>10.6</b>	<b>12.4</b>
<b>Finance costs - net</b>	<b>(142.0)</b>	<b>(125.5)</b>

**5 Income tax charge / (credit)**

The taxation charge / (credit) is based on the loss for the year and comprises

	2012 £m	2011 £m
<b>Current tax</b>		
Current year group relief credit	3.8	(14.8)
Adjustments in respect of previous years	14.3	-
Overseas taxation	5.4	4.0
<b>Deferred taxation</b>		
origination and reversal of temporary differences	(6.7)	(14.0)
adjustments to deferred taxation in respect of previous years	(5.3)	1.0
impact of change in UK tax rate	(5.5)	(7.1)
overseas deferred taxation	0.4	4.5
<b>Income tax charge / (credit)</b>	<b>6.4</b>	<b>(26.4)</b>

A reconciliation of the total tax charge / (credit) for the year compared to the effective standard rate of corporation tax is summarised below

	£m	£m
<b>Loss on ordinary activities before tax</b>	<b>(123.3)</b>	<b>(108.1)</b>
At 24.5% (2011: 26.5%)	(30.2)	(28.6)
<b>Effects of:</b>		
Tax losses not giving rise to current year relief	1.5	0.4
Overseas taxation	-	1.4
Adjustments to current taxation in respect of previous years	14.3	-
Adjustments to deferred taxation in respect of previous years	(5.3)	1.0
Re-measurement of deferred tax - change in the UK tax rate	(5.5)	(7.1)
Finance costs on payment-in-kind loans to parent undertakings	0.4	1.8
Finance costs on shareholder loan owed to parent undertaking	14.2	-
Payment-in-kind loan deemed taxable credit	16.1	-
Expenses not deductible for tax purposes and other adjustments	0.9	4.7
<b>Tax charge / (credit)</b>	<b>6.4</b>	<b>(26.4)</b>

The standard rate of corporation tax in the UK reduced from 26% to 24% with effect from 1 April 2012 and accordingly the company's profits for the financial year were taxed at an effective rate of 24.5%.

During the year, as a result of the change in the UK corporation tax rate from 24% to 23% that was substantively enacted on 3 July 2012 and is effective from 1 April 2013, the relevant deferred tax balances have been re-measured. Deferred tax expected to reverse in the year to 31 December 2013 has been measured using the effective rate that will apply in the UK for the year (23.25%).

Further reductions to the UK corporation tax rate were announced in the December 2012 Autumn Statement and the March 2013 Budget. Further reductions to the main rate are proposed to reduce the rate by a further 3% to 21% from 1 April 2014 and to 20% from 1 April 2015. These changes in the corporation tax rate from 23% to 20% had not been substantively enacted at the balance sheet date and therefore are not recognised in these financial statements.

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**5 Income tax credit (continued)**

Analysis of tax on items credited to equity	2012 £m	2011 £m
Deferred tax on retirement benefit obligation actuarial losses (see note 20)	0.4	4.7
Overseas taxation on retirement benefit obligation actuarial losses	-	(0.3)
	<b>0.4</b>	<b>4.4</b>

**Tax effects of components of other comprehensive income for the year**

	Before tax £m	2012 Tax credit £m	After tax £m	Before tax £m	2011 Tax credit £m	After tax £m
Currency translation differences	0.2	-	0.2	(0.3)	-	(0.3)
Cash flow hedges	-	-	-	0.1	-	0.1
Actuarial losses on defined benefit pension scheme	(4.5)	0.4	(4.1)	(19.9)	4.4	(15.5)
	<b>(4.3)</b>	<b>0.4</b>	<b>(3.9)</b>	<b>(20.1)</b>	<b>4.4</b>	<b>(15.7)</b>

**6 Loss of the Parent Company for the financial year**

The Company has taken advantage of Section 408 exemption of the Companies Act 2006 and consequently has not presented an income statement. The Company's loss for the financial year amounted to £14.7m (2011: £1.8m). The loss of £14.7m (2011: £1.8m) was after net finance costs of £nil (2011: £nil) and a taxation charge of £14.7m (2011: £1.8m).

**7 Goodwill**

Group	£m
Cost and net book value	
At 1 January 2012	814.9
Exchange adjustment	(0.1)
<b>At 31 December 2012</b>	<b>814.8</b>

Group	£m
Cost and net book value	
At 1 January 2011	798.9
Exchange adjustment	(0.1)
Impairment	(10.2)
Acquisition of subsidiaries	28.3
<b>At 31 December 2011</b>	<b>814.9</b>

The goodwill has been allocated to cash-generating units (CGUs) and a summary of the carrying amounts of goodwill by business segments (representing groups of cash generating units) is as follows:

	Broadline £m	Country Choice £m	Total £m
United Kingdom	606.6	92.1	698.7
Continental Europe	116.1	-	116.1
<b>At 31 December 2012</b>	<b>722.7</b>	<b>92.1</b>	<b>814.8</b>

The Broadline business segment represents the core foodservice cash generating units. In the UK it comprises the trading companies Brake Bros Limited, Wild Harvest Limited, O'Kane Food Service Limited, Freshfayre Limited, Brake Bros Foodservice Ireland Limited and in Continental Europe it principally comprises the trading companies Brake France Service SAS in France and Menigo Foodservice AB in Sweden. The Country Choice business segment comprises of the trading company Brake Bros Foodservice Limited.

	Broadline £m	Country Choice £m	Total £m
United Kingdom	606.6	92.1	698.7
Continental Europe	116.2	-	116.2
<b>At 31 December 2011</b>	<b>722.8</b>	<b>92.1</b>	<b>814.9</b>



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**7 Goodwill (continued)**

**Impairment reviews**

An overview of impairment reviews performed by operating segment is set out below. The recoverable amount of a CGU is determined on value-in-use calculations. These calculations use pre-tax cash flow projections based on internal forecasts approved by management covering the next period. Subsequent cash flows beyond are extrapolated using the estimated growth rate stated below.

**Broadline and Country Choice**

The key assumptions in the value in use calculations were:

- **Revenue growth:** This was based on expected levels of activity under existing major contractual arrangements together with growth based upon medium term historical growth rates and having regard for expected economic and market conditions for other customers.

- **Operating cost growth:** This assumption was based upon management's expectation for each significant product line having regard for contractual arrangements and expected changes in market conditions.

- **Discount rates:** The discount rates applied to the cash flow projections are based on an appropriate weighted average cost of capital for the group and reflect specific risks relating to the relevant operating segments.

The forecasts are based on the approved management plan covering the next financial year. Subsequent cash flows have been forecast to increase by 3.25% (2011: 3.25%) in line with the long term GDP growth rate and including inflation reflecting minimum management expectations based on historical growth. The cash flows in the UK and Continental Europe were discounted using pre-tax discount rates of 9.8% (2011: 10.1%) in the UK, 9.5% (2011: 10.5%) in France and 7.9% (2011: 10.5%) in Sweden.

The results of the impairment reviews undertaken indicated that the CGUs have recoverable amounts in excess of the carrying value of the goodwill. For the impairment reviews a sensitivity analysis (described in critical accounting estimates and assumptions in note 1 to the financial statements) has been performed on the key assumptions used in determining the recoverable amount of the CGUs. For Broadline UK, Broadline Continental Europe and Country Choice CGUs the results of the testing indicate headroom of recoverable amounts in excess of carrying values of 32%, 222% and 66% respectively.

**8 Intangible Assets**

Group	Brands £m	Customer contracts and relationships £m	Computer software £m	Total £m
Cost or valuation				
At 1 January 2012	213.5	367.7	58.2	639.4
Exchange adjustment		(0.3)	(0.4)	(0.4)
Additions		0.3	9.4	9.7
Disposals		(4.8)		(4.8)
<b>At 31 December 2012</b>	<b>213.5</b>	<b>363.2</b>	<b>67.2</b>	<b>643.9</b>
Accumulated amortisation				
At 1 January 2012	36.2	138.3	42.4	216.9
Exchange adjustment		(0.3)	(0.3)	(0.3)
Charge for the year	6.5	38.1	7.1	53.7
Disposals	-	(4.8)		(4.8)
<b>At 31 December 2012</b>	<b>44.7</b>	<b>171.6</b>	<b>49.2</b>	<b>265.5</b>
<b>Net book value at 31 December 2012</b>	<b>168.8</b>	<b>191.6</b>	<b>18.0</b>	<b>378.4</b>

Group	Brands £m	Customer contracts and relationships £m	Computer software £m	Total £m
Cost or valuation				
At 1 January 2011	210.4	389.0	51.0	630.4
Exchange adjustment		(0.6)	(0.6)	(0.6)
Acquisition of subsidiaries	3.6	3.9	3.5	11.0
Additions			5.3	5.3
Disposals	(0.5)	(5.2)	(1.0)	(6.7)
<b>At 31 December 2011</b>	<b>213.5</b>	<b>387.7</b>	<b>58.2</b>	<b>639.4</b>
Accumulated amortisation				
At 1 January 2011	27.6	106.1	35.8	169.5
Exchange adjustment		(0.4)	(0.4)	(0.4)
Acquisition of subsidiaries	0.2	0.6	2.1	2.9
Charge for the year	8.4	35.4	5.9	49.7
Impairment	0.5	1.4	-	1.9
Disposals	(0.5)	(5.2)	(1.0)	(6.7)
<b>At 31 December 2011</b>	<b>36.2</b>	<b>138.3</b>	<b>42.4</b>	<b>216.9</b>
<b>Net book value at 31 December 2011</b>	<b>177.3</b>	<b>229.4</b>	<b>15.8</b>	<b>422.5</b>

The Company has no intangible assets.

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**9 Property, plant and equipment**

Group	Land and buildings £m	Motor vehicles £m	Plant and equipment £m	Information technology hardware £m	Total £m
Cost or valuation					
At 1 January 2012	165.8	114.9	128.8	30.3	439.8
Exchange adjustments	(1.6)	0.3	(0.3)	(0.1)	(1.7)
Reclassification	1.4	0.1	(3.0)	0.9	(0.6)
Additions	13.5	29.6	5.3	1.8	50.0
Disposal of subsidiary		(0.2)	(0.7)		(0.9)
Disposals	(16.0)	(9.6)	(5.2)	(0.3)	(31.1)
<b>At 31 December 2012</b>	<b>162.9</b>	<b>135.1</b>	<b>124.9</b>	<b>32.4</b>	<b>455.3</b>
Accumulated depreciation					
At 1 January 2012	70.5	64.3	91.0	23.3	249.1
Exchange adjustment	(0.7)	0.1	(0.2)		(0.8)
Reclassification	(0.4)	0.2	(1.2)	0.8	(0.6)
Charge for the year	5.2	18.6	7.8	2.9	32.5
Disposal of subsidiary		(0.2)	(0.6)		(0.8)
Disposals	(5.6)	(8.4)	(4.9)	(0.3)	(19.2)
<b>At 31 December 2012</b>	<b>69.0</b>	<b>72.6</b>	<b>91.9</b>	<b>26.7</b>	<b>260.2</b>
<b>Net book value at 31 December 2012</b>	<b>93.9</b>	<b>62.5</b>	<b>33.0</b>	<b>5.7</b>	<b>195.1</b>

Group	Land and buildings £m	Motor vehicles £m	Plant and equipment £m	Information technology hardware £m	Total £m
Cost or valuation					
At 1 January 2011	158.2	105.2	118.4	27.6	405.4
Exchange adjustments	(1.8)	(0.4)	(0.8)	(0.1)	(3.1)
Reclassification	(3.5)	(0.1)	(0.3)		(3.9)
Acquisition of subsidiaries	6.0	10.4	9.5	1.7	27.6
Additions	9.5	12.5	9.1	3.0	34.1
Disposals	(0.8)	(12.7)	(5.1)	(1.9)	(20.5)
<b>At 31 December 2011</b>	<b>165.8</b>	<b>114.9</b>	<b>128.8</b>	<b>30.3</b>	<b>439.8</b>
Accumulated depreciation					
At 1 January 2011	59.3	56.5	81.3	21.5	228.6
Exchange adjustment	(0.8)	(0.3)	(0.5)	(0.1)	(1.7)
Reclassification	(3.8)	(0.1)			(3.9)
Acquisition of subsidiaries	2.5	7.4	7.0	1.1	18.0
Charge for the year	4.1	12.4	8.0	2.6	27.1
Disposals	(0.8)	(11.6)	(4.8)	(1.8)	(19.0)
<b>At 31 December 2011</b>	<b>70.5</b>	<b>64.3</b>	<b>91.0</b>	<b>23.3</b>	<b>249.1</b>
<b>Net book value at 31 December 2011</b>	<b>95.1</b>	<b>50.6</b>	<b>37.8</b>	<b>7.0</b>	<b>190.5</b>

**Land and buildings comprise**

	2012 £m	2011 £m
Cost or valuation		
Freehold	124.8	140.8
Long leasehold	9.4	10.8
Short leasehold	28.7	14.2
	<b>162.9</b>	<b>165.8</b>
Accumulated depreciation		
Freehold	54.8	58.2
Long leasehold	3.6	4.4
Short leasehold	10.6	7.9
	<b>69.0</b>	<b>70.5</b>

**Assets held under finance leases have the following net book amount**

	2012 £m	2011 £m
Cost	77.6	55.5
Accumulated depreciation	(32.3)	(30.9)
<b>Net book amount</b>	<b>45.3</b>	<b>24.6</b>
Land and buildings	7.5	8.2
Motor vehicles	37.7	15.8
Plant and equipment	0.1	0.6
<b>Net book amount</b>	<b>45.3</b>	<b>24.6</b>

The Company has no property, plant and equipment

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**10 (a) Investments in subsidiaries**

Investments in subsidiary undertakings (equity) at cost and net book value

Company	2012 £m	2011 £m
At 1 January and 31 December	20.7	20.7

The Company's subsidiary undertaking is Cucina Acquisition (UK) Limited, a non-trading holding company. All of the Company's investments are in the ordinary share capital of each company. The directors consider that the value of the investments are supported by their underlying assets.

The subsidiary undertakings at 31 December 2012 and 31 December 2011, unless otherwise stated, are listed as follows:

Name of Company	Country of Incorporation	Percentage Interest held	Operating in
The principal trading subsidiary undertakings are all involved in the supply of frozen, chilled and ambient foods as well as catering supplies and equipment to the catering industry and are as follows:			
Brake Bros Limited	England and Wales	100.00%	United Kingdom
Brake Bros Foodservice Limited	England and Wales	100.00%	United Kingdom
M&J Seafood Limited	England and Wales	100.00%	United Kingdom
Wild Harvest Limited	England and Wales	100.00%	United Kingdom
Freshfayre Limited	England and Wales	100.00%	United Kingdom
Brake Bros Receivables Limited	England and Wales	100.00%	United Kingdom
O'Kane Food Service Limited	Northern Ireland	80.00%	United Kingdom
Brake Bros Foodservice Ireland Limited	Republic of Ireland	80.00%	Republic of Ireland
Brake France Service SAS	France	100.00%	Continental Europe
Menigo Foodservice AB	Sweden	88.67%	Continental Europe

Name of Company	Country of Incorporation	Percentage Interest held	Immediate parent undertaking
Non-trading holding companies are as follows:			
Cucina Acquisition (UK) Limited	England and Wales	100.00%	Cucina Finance (UK) Limited
Brake Bros Holding I Limited	England and Wales	100.00%	Cucina Acquisition (UK) Limited
Brake Bros Holding II Limited	England and Wales	100.00%	Brake Bros Holding I Limited
Brake Bros Holding III Limited	England and Wales	100.00%	Cucina Acquisition (UK) Limited/Brake Bros Holding II Limited
Brake Bros Finance Limited	England and Wales	100.00%	Brake Bros Holding III Limited
Brake Bros Acquisition Limited	England and Wales	100.00%	Brake Bros Finance Limited
Brake France SAS	France	100.00%	Brake Bros Limited
Cidron Food Holding S à r l	Luxembourg	66.67%	Brake Bros Limited
Cidron Food Services S à r l	Luxembourg	66.67%	Cidron Food Holding S à r l

Name of Company	Country of Incorporation	Percentage Interest held
Other subsidiary undertakings are as follows:		
<i>Trading companies</i>		
Servicestryckarna i Johanneshov AB	Sweden	88.67%
Isakssons Frukter & Grönt AB	Sweden	66.67%
Frukterica i Helsingborg AB	Sweden	66.67%
Restaurangakademien AB	Sweden	33.34%
Brake France Développement	France	100.00%
<i>Dormant and other non-trading companies</i>		
Brakes Limited	England and Wales	100.00%
Campbell & Neill Limited	England and Wales	100.00%
Cearns & Brown (Southern) Limited	England and Wales	100.00%
John Morris Leasing Limited	England and Wales	100.00%
Stockflag Limited	England and Wales	100.00%
Taste of the Wild Limited	England and Wales	100.00%
W Pauley & Co Limited	England and Wales	50.00%
Watson & Philip Cearns & Brown (South East) Ltd	England and Wales	100.00%
Woodward Foodservice Limited	England and Wales	100.00%
Scotia Campbell Marine Limited	Scotland	100.00%
Menigo Foodservice Norge AS	Sweden	88.67%
Frukterica i Malmö AB	Sweden	88.67%
Fastighetsaktiebolaget Guldfrukten i Lund AB	Sweden	88.67%
Menigo Invest 1 AB	Sweden	88.67%
Menigo Invest 2 AB	Sweden	88.67%
Carigel SA	France	100.00%
SCI Bianchi Montegut	France	100.00%
SCI Le Dauphin	France	100.00%
Société Bretonne Alimentaire	France	100.00%
Financière Du Rohein	France	100.00%
SCI De Boisseau	France	100.00%
SCI De Garcelles	France	100.00%
Group Rault	France	100.00%
SCI JD Lanjouan	France	100.00%
Rault Lamballe	France	100.00%
Rault Sud	France	100.00%
Rault Vendome	France	100.00%
Rault Nantes	France	100.00%
Rault Caen	France	100.00%

The subsidiary undertaking Browns Foodservice Limited was disposed of during the year.

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**10 (b). Investments in associates**

Group	2012 £m	2011 £m
At 1 January		13.7
Disposal of associate	-	(14.6)
Share of profit	-	0.9
<b>At 31 December</b>	<b>-</b>	<b>-</b>

**11 Inventories**

	Group 2012 £m	2011 £m
Raw materials and consumables	2.5	2.3
Finished goods and goods for resale	109.6	99.4
	<b>112.1</b>	<b>101.7</b>

The Company has no inventory

**12 Trade and other receivables**

	Group 2012 £m	2011 £m	Company 2012 £m	2011 £m
Trade receivables	110.6	79.8		
Trade receivables - factored	154.0	162.6		
Less provision for impairment of receivables	(9.1)	(8.3)		
Trade receivables net	255.7	234.1		
Amounts owed by parent undertakings	36.6	54.4		
Amounts owed by group undertakings			24.1	21.4
Loans owed by parent undertakings	9.3	8.6		
Loans owed by group undertakings			777.3	694.9
Other receivables	3.0	5.9		
Prepayments	15.3	14.8	-	-
	<b>320.1</b>	<b>317.8</b>	<b>801.4</b>	<b>716.3</b>
Less non-current portion			(461.1)	(421.9)
	<b>320.1</b>	<b>317.8</b>	<b>340.3</b>	<b>294.4</b>

During the year certain subsidiary companies of the Group sold trade receivables to Brake Bros Receivables Limited. Brake Bros Receivables Limited has entered into a recourse factoring agreement with a bank and these receivables are separately disclosed in the note above. The transaction has been accounted for as a collateralised borrowing (see note 16). In case Brake Bros Receivables Limited defaults under the loan agreement, the lender has the right to receive the cash flows from the receivables transferred. Without default, Brake Bros Receivables Limited will collect the receivables and allocate new receivables as collateral. The total amount pledged as collateral for borrowings is £154.0m (2011: £162.6m).

The book value of trade and other receivables with a maturity of less than one year are assumed to approximate to fair value.

The effective interest rate on loans owed by parent and group undertakings is 5.6% (2011: 5.2%) and 11.8% (2011: 11.8%) respectively.

As of 31 December 2012, group trade receivables of £210.3m (2011: £196.2m) were fully performing and as of 31 December 2012, company receivables from amounts owed by group and parent undertakings of £24.1m (2011: £21.4m) and loans owed by group undertakings of £777.3m (2011: £694.9m) were fully performing.

As of 31 December 2012, group trade receivables of £45.1m (2011: £37.5m) were past due but not impaired. These relate to a number of customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	Group 2012 £m	2011 £m
Up to 3 months	44.4	36.0
3 to 6 months	0.7	1.5
	<b>45.1</b>	<b>37.5</b>

As of 31 December 2012, trade receivables of £9.4m (2011: £8.7m) were impaired and provided for. The amount of the provision was £9.1m as of 31 December 2012 (2011: £8.3m). The individually impaired receivables mainly relate to customers which are in unexpectedly difficult economic situations. It was assessed that a portion of the receivables is expected to be recovered. The ageing analysis of these trade receivables is as follows:

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**12 Trade and other receivables (continued)**

	Group 2012 £m	2011 £m
Up to 3 months	2.9	2.3
3 to 6 months	3.0	2.2
Over 6 months	3.5	4.2
	<b>9.4</b>	<b>8.7</b>

The carrying amounts of the trade and other receivables are denominated in the following currencies

	Group 2012 £m	2011 £m	Company 2012 £m	2011 £m
Pounds	215.6	224.1	785.3	701.2
Euros	53.7	49.9	-	-
Swedish Krone	50.8	43.8	16.1	15.1
	<b>320.1</b>	<b>317.8</b>	<b>801.4</b>	<b>716.3</b>

Movements on the provision for impairment of trade receivables are as follows

	Group 2012 £m	2011 £m
At 1 January	8.3	6.8
Exchange adjustment	(0.1)	(0.1)
Acquisition of subsidiaries	-	1.5
Provision for receivables impairment	4.6	4.2
Receivables written off during the year as uncollectible	(3.7)	(4.1)
<b>At 31 December</b>	<b>9.1</b>	<b>8.3</b>

Concentrations of credit risk with respect to trade receivables are limited due to the Group's customer base being large and unrelated. Due to this, management believe there is no further credit risk provision required in excess of a normal provision for impaired receivables. Therefore, the maximum exposure to credit risk at the reporting date is the fair value of each class of receivable. The Group and Company do not hold any collateral as security.

The other classes within trade and other receivables do not contain impaired assets.

**13 Cash and cash equivalents**

	Group 2012 £m	2011 £m	Company 2012 £m	2011 £m
Cash at bank and in hand	85.9	66.1	-	-
Short term bank deposits	82.5	79.1	-	-
	<b>168.4</b>	<b>145.2</b>	<b>-</b>	<b>-</b>

The effective interest rate on group cash at bank and in hand was 0% (2011: 0%) and on group short term deposits was 0.25% (2011: 0.25%). These deposits have an average maturity of 1 day (2011: 1 day). The effective interest rate on company cash at bank and in hand was 0% (2011: 0%).

**14 Trade and other payables**

	Group 2012 £m	2011 £m	Company 2012 £m	2011 £m
Trade payables	359.9	323.2	-	-
Amounts owed to parent undertakings	25.0	21.7	25.6	20.8
Amounts owed to group undertakings	-	-	19.2	5.8
Other taxes and social security	22.6	20.2	-	-
Other payables	16.5	19.0	-	-
Accruals	50.3	31.0	-	0.6
	<b>474.3</b>	<b>415.1</b>	<b>44.8</b>	<b>27.2</b>
Less non-current portion	(21.1)	(19.0)	(21.1)	(19.0)
	<b>453.2</b>	<b>396.1</b>	<b>23.7</b>	<b>8.2</b>

For the Group and Company the non-current portion comprises amounts owed to parent undertakings of £21.1m (2011: £18.4m) and accruals of £nil (2011: £0.6m).

Amounts owed to group and parent undertakings are unsecured and bear no interest.

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**15 Current tax liabilities**

	Group 2012 £m	2011 £m
Corporation tax - overseas	0.2	0.2
	0.2	0.2

The Company has no corporation tax liability at either date of the statement of financial position

**16 Financial liabilities - borrowings**

	Group 2012 £m	2011 £m	Company 2012 £m	2011 £m
<b>Current</b>				
Loan notes	0.4	0.4		
Bank loans	0.4	3.0		
Senior bank loans	33.4	9.0		
Other loans owed to parent undertaking	3.8	3.8	3.8	3.8
Finance lease obligations	12.8	7.2		
	50.8	23.4	3.8	3.8
<b>Non-current</b>				
Loan notes	0.7	1.1		
Bank loans	154.8	161.5		
Senior bank loans	920.7	922.7		
Payment-in-kind loan	77.2	165.5	77.2	165.5
Payment-in-kind loan owed to parent undertaking	225.9	115.9	225.9	115.9
Shareholder loan owed to parent undertaking	463.2	403.5	463.2	403.5
Other loans owed to parent undertaking	10.8	10.0	10.8	10.0
Debt issue costs	(16.4)	(6.0)		
Finance lease obligations	41.0	19.2		
	1,877.7	1,793.4	777.1	694.9
Less amounts falling due within one year	(50.8)	(23.4)	(3.8)	(3.8)
	1,826.9	1,770.0	773.3	691.1

Certain bank loans are secured by way of a fixed and floating charge over the assets of the Group and other bank loans have been obtained pursuant to a debt factoring arrangement (note 12)

The carrying amounts of the Group and Company's borrowings are denominated in the following currencies

	Group 2012 £m	2011 £m	Company 2012 £m	2011 £m
Pounds	1,677.0	1,596.0	624.0	537.3
Euros	155.9	147.0	139.2	143.8
Swedish Krona	44.8	50.4	13.9	13.8
	1,877.7	1,793.4	777.1	694.9

**Maturity of financial liabilities**

The tables below analyse the Group and Company's financial liabilities and net settled derivative financial instruments into relevant maturity groupings based on the remaining period at the date of the statement of financial position to the contract maturity date. The amounts disclosed in the table for borrowings and trade payables are the contractual undiscounted cash flows and for derivative financial instruments it is the fair value. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than one year £m	Between one and two years £m	Between two and five years £m	Over five years £m	Total £m
<b>Group</b>					
Borrowings	50.8	56.9	1,788.1	1.9	1,877.7
Derivative financial instruments	-	2.2	-	-	2.2
Trade and other payables excluding statutory liabilities	430.8	-	21.1	-	451.7
<b>At 31 December 2012</b>	<b>481.4</b>	<b>59.1</b>	<b>1,789.2</b>	<b>1.9</b>	<b>2,331.6</b>
<b>Group</b>					
Borrowings	23.4	64.3	540.8	883.5	1,512.0
Derivative financial instruments	1.8	-	-	-	1.8
Trade and other payables excluding statutory liabilities	375.9	-	-	19.0	394.9
<b>At 31 December 2011</b>	<b>401.1</b>	<b>64.3</b>	<b>540.8</b>	<b>902.5</b>	<b>1,908.7</b>

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**16 Financial liabilities - borrowings (continued)**

Company	Less than one year £m	Between one and two years £m	Between two and five years £m	Over five years £m	Total £m
Borrowings	3.8	470.2	303.1	-	777.1
Derivative financial instruments	-	-	-	-	-
Trade and other payables	23.7	-	21.1	-	44.8
<b>At 31 December 2012</b>	<b>27.5</b>	<b>470.2</b>	<b>324.2</b>	<b>-</b>	<b>821.9</b>

Company	Less than one year £m	Between one and two years £m	Between two and five years £m	Over five years £m	Total £m
Borrowings	3.8	58.7	533.0	727.2	1,322.7
Derivative financial instruments	-	1.8	-	-	1.8
Trade and other payables	8.2	-	-	19.0	27.2
<b>At 31 December 2011</b>	<b>12.0</b>	<b>60.5</b>	<b>533.0</b>	<b>746.2</b>	<b>1,351.7</b>

The tables below analyses the Group's financial instruments which will be settled on a gross basis into relevant maturity groupings based on the remaining period at the date of the statement of financial position to the contract maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. The fair values of the Group's derivative financial instrument liabilities after discounting amount to £2.2m (2011: £1.8m). Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

At 31 December 2012 Group	Less than one year £m	Between one and two years £m	Total £m
Deferred premiums	-	-	-
LIBOR outflow	-	(1.9)	(1.9)
EURIBOR outflow	-	(0.3)	(0.3)
<b>Net outflow</b>	<b>-</b>	<b>(2.2)</b>	<b>(2.2)</b>

At 31 December 2011 Group and company	Less than one year £m	Between one and two years £m	Total £m
Deferred premiums	-	-	-
LIBOR outflow	(1.5)	-	(1.5)
EURIBOR outflow	(0.3)	-	(0.3)
<b>Net outflow</b>	<b>(1.8)</b>	<b>-</b>	<b>(1.8)</b>

**Borrowing facilities**

The Group has the following undrawn committed borrowing facilities available at 31 December:

	Group Floating rate 2012 £m	Floating rate 2011 £m
Expiring beyond one year	87.5	87.4

Of these facilities £50.0m (2011: £75.0m) of senior facilities are available until 2014 and £25.0m (2011: £nil) of senior facilities are available until 2018 and £12.5m (2011: £12.4m) of other bank loan facilities are available until 2015.

The Group has minimum lease payments under finance leases at 31 December falling due as follows:

	Group 2012 £m	2011 £m
Not later than one year	15.0	9.0
Later than one year but not more than five	29.5	13.0
More than five years	2.1	0.5
<b>Future finance charges on finance leases</b>	<b>46.6</b>	<b>22.5</b>
<b>Present value of finance lease liabilities</b>	<b>(5.6)</b>	<b>(3.3)</b>
	<b>41.0</b>	<b>19.2</b>

The Company has no finance leases.

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**16 Financial liabilities – borrowings (continued)**

The exposure of the Group to interest rate changes at 31 December is as follows

	Group 2012 £m	2011 £m	Company 2012 £m	2011 £m
Borrowings at floating interest rates	1 341.1	1 334.1	303.1	281.4
Fixed rate borrowings maturing				
within one year	15.8	10.7	3.8	3.8
- one to five years	518.9	38.3	470.2	-
- over five years	1.8	410.3	-	409.7
	<b>1,877.7</b>	<b>1,783.4</b>	<b>777.1</b>	<b>694.9</b>

Of the borrowings at floating interest rates the Group have entered into interest rate caps which have the economic effect of placing a limit on the maximum interest rate increase applied at certain future dates. The notional principal amounts of the interest rate caps at 31 December 2012 were £680.2m for LIBOR borrowings and £116.4m for EURIBOR borrowings (for further details see note 17(b) (i)).

The effective interest rates at the date of the statement of financial position were as follows

	Group 2012	2011
Bank loans	3.1%	3.4%
Senior bank loans	4.7%	4.4%
Payment-in-kind loan	7.1%	7.4%
Payment-in-kind loan owed to parent undertakings	7.1%	7.4%
Shareholder loan owed to parent undertaking	14.8%	14.8%
Other loans owed to parent undertakings	14.8%	14.8%
Finance lease obligations	5.0%	6.7%

**17 Financial instruments**

**17 (a) Financial instruments – disclosures**

Disclosures in respect of the Group's financial risks are set out below. Additional disclosures are set out in the Accounting Policies (on pages 12 to 17) and numerical disclosures in respect of financial instruments are set out in note 17(b) 17(c) and 17(d).

**Financial risk management**

**Financial risk factors**

The Group has operations in the UK, the Republic of Ireland, France and Sweden and has debt financing which exposes it to a variety of financial risks that include the effects of changes in debt market prices, foreign currency exchange rates, credit risks, liquidity and interest rates. The Group has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the Group by using foreign currency debt to hedge overseas investments in subsidiaries and interest hedging agreements to limit the impact from potential future interest rate increases.

The Group's board of directors have the responsibility for setting the risk management policies applied by the Group. The policies are implemented by the central treasury department that receives regular reports from the operating companies to enable prompt identification of financial risks so that the appropriate actions may be taken. The Group has a policy and procedures manual that sets out specific guidelines to manage foreign currency exchange risk, interest rate risk, credit risk, liquidity risk and the use of financial instruments to manage

**(i) Foreign exchange risk**

The Group has operations in the UK, the Republic of Ireland, France and Sweden. The Group is exposed to foreign exchange risks primarily with respect to the Euro and Swedish Krona. Exposure to the Swedish Krona is not considered material. The Group has certain investments in foreign operations whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the Group's foreign operations is managed primarily through borrowings denominated in the Euro.

If the UK pound had weakened/strengthened by 10% against the Euro with all other variables held constant, the loss before tax in the consolidated income statement is estimated at £5.5m (2011: £8.6m) higher / £4.6m (2011: £5.1m) lower as a result of foreign exchange gains / losses on translation of the Euro denominated borrowings.

**(ii) Interest rate risk**

The Group has both interest bearing assets and interest bearing liabilities.

The Group's interest rate risk primarily arises from floating interest rate long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. During 2012, the Group's borrowings at variable rate were denominated in the UK pound, Euro and Swedish Krona. The Group manages its cash flow interest rate risk by using interest rate caps. Such interest rate caps have the economic effect of placing a limit on the maximum interest rate increase applied at certain future dates. Under the interest rate caps, the Group agrees with other parties that for specified future quarterly dates, if the market interest rate exceeds the interest rate cap strike rate, the difference will be paid to the Group calculated by reference to the agreed notional amounts.

Based on this management of the interest rate risk, the Group calculates the impact on the loss after taxation in the consolidated income statement of a defined interest rate shift on finance costs and finance income. Based on the simulations performed, the impact on the loss after taxation of a 10% shift in interest rates would be a maximum increase or decrease of £5.0m (2011: £4.2m).



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**17 Financial Instruments (continued)**

**17 (a) Financial Instruments - disclosures (continued)**

*(iii) Credit risk*

The Group has no significant concentrations of credit risk. Credit risk arises from cash and cash equivalents, as well as credit exposures to customers, including outstanding receivables and committed transactions. For banks, independently rated parties within the band A rating are used for the main Group banking requirements, and wherever possible for subsidiary day to day operating requirements. For customers, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings. The Group has implemented policies that require appropriate credit checks on potential customers before sales commence.

The table below shows the credit rating and balance of the major bank counterparties at the date of the statement of financial position. A full analysis of cash at bank and short term deposits is included in note 17(d) to the financial statements.

Counterparty	2012		2011	
	Rating	Balance £m	Rating	Balance £m
Bank A	A+	125.6	A+	97.3
Bank B	A	2.5	A+	3.1
Bank C	A+	12.1	AA-	10.3
Bank D	A	8.4	A+	13.1
Bank E	A	0.4	A	2.6
Bank F	BB+	5.4	BB+	8.6
Bank G	A+	12.8	A+	8.4
Bank H	A-	0.6	A	0.4
Bank I	A	-	A	0.3
Bank J	AA	0.4	AA-	0.8
Bank K	A+	0.1		
Bank L	AA	0.1		
		<b>168.4</b>		<b>145.1</b>

Management does not expect any losses from non-performance by these counterparties.

*(iv) Liquidity risk*

The Group actively maintains a mixture of long-term and short-term facilities that are designed to ensure the Group has sufficient available funds for operations and planned expansions. Management monitors rolling forecasts of the Group's liquidity reserve (comprises undrawn borrowing facility (note 16) and cash and cash equivalents (note 13)) on the basis of expected cash flow. The Group maintains liquidity through available cash reserves and undrawn committed borrowing facilities available primarily through its Senior Facilities Agreements. The senior banks monitor the Group's performance through quarterly covenant tests, with the Group reporting headroom on all covenant testing during the year ended 31 December 2012.

**Capital risk management**

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. These objectives are managed at the ultimate UK Group level, Cucina Lux Investments Limited, rather than at individual unit level.

The overall debt and equity structure of the Company is under the control of the ultimate parent company, Cucina (BC) Luxco S à r l. There are no external capital requirements on the Company. Further details of the share capital of the Company can be found in note 21 of the financial statements.

Set out below are numerical disclosures in respect of the Group and Company's financial instruments.

**17 (b) Financial Instruments - numerical disclosures**

**Fair value estimation**

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)

Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2)

Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3)

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2012. The Company did not have any assets or liabilities measured at fair value at 31 December 2012.

	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
<b>Assets</b>				
Interest rate caps	-	0.6	-	0.6
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
<b>Liabilities</b>				
Interest rate caps with deferred premiums	-	2.2	-	2.2

The following table presents the Group's liabilities that are measured at fair value at 31 December 2011. The Company did not have any liabilities that are measured at fair value at 31 December 2011.

	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
<b>Liabilities</b>				
Interest rate caps with deferred premiums	-	1.8	-	1.8

The Group and Company does not have any financial instruments that are traded in active markets.

For all other financial instruments, fair value is determined by using valuation techniques. Valuation techniques include net present value techniques, the discounted cash flow method, comparison to similar instruments for which market observable prices exist, and valuation models. The Group uses widely recognised valuation models for determining the fair value of common and more simple financial instruments like interest rate swaps and interest rate caps with deferred premiums. For these financial instruments, inputs into models are market observable. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

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**17 Financial Instruments (continued)**

**17 (b). Financial Instruments – numerical disclosures (continued)**

**Carrying values of derivative financial Instruments**

Group	Assets 2012 £m	Liabilities 2012 £m	Assets 2011 £m	Liabilities 2011 £m
Interest rate caps with deferred premiums	-	(2.2)	-	(1.8)
Interest rate caps	0.6	-	-	-
<b>Total</b>	<b>0.6</b>	<b>(2.2)</b>		<b>(1.8)</b>
Less non-current portion				
Interest rate caps with deferred premiums	-	(2.2)	-	-
Interest rate caps	0.6	-	-	-
<b>Total non-current portion</b>	<b>0.6</b>	<b>(2.2)</b>		
<b>Current portion</b>	<b>-</b>	<b>-</b>		<b>(1.8)</b>

The fair value of the interest rate caps with deferred premiums and interest rate caps have been determined by reference to prices available from the markets on which the instruments involved are traded

The ineffective portion recognised in 'finance costs' in the consolidated income statement arising from net investment in foreign entity hedges amounted to a gain of £1.9m (2011: £2.1m)

*(i) Interest rate caps with deferred premiums*

The interest rate cap contracts with deferred premiums were entered into on 13 April 2012 with a forward start date of 30 April 2012 and mature on 31 December 2014. They have the effect of capping floating rate LIBOR and EURIBOR borrowings. The notional principal amounts of the outstanding interest rate cap contracts at 31 December 2012 were £680.2m for the LIBOR borrowings and £116.4m for the EURIBOR borrowings. The capped interest rates are 1.1% for LIBOR and EURIBOR borrowings. The notional amounts of the deferred premiums payable on 17 April 2013 and 17 April 2014 are £1.0m and £0.9m respectively for the LIBOR borrowings and £0.2m and £0.1m respectively and for the EURIBOR borrowings.

In the prior year the interest rate cap contracts with deferred premiums were entered into on 24 August 2007 with a forward start date of 20 September 2011 and matured on 20 September 2012. The notional principal amounts of the outstanding interest rate cap contracts at 31 December 2011 were £418.0m for the LIBOR borrowings and £76.8m for the EURIBOR borrowings. The notional amounts of the deferred premiums paid at the end of the contract on 20 September 2012 were £1.5m for the LIBOR borrowings and £0.3m for the EURIBOR borrowings.

*(ii) Interest rate caps*

Interest rate cap contracts were entered into on 26 March and 21 May 2010 with forward start dates of 20 December 2011 and 20 December 2012 respectively and mature on 20 December 2013 and will have the effect of capping floating rate LIBOR borrowings. The notional principal amounts of the outstanding interest rate cap contracts at 31 December 2012 were £183.0m (2011: £163.0m) and £179.0m (2011: £179.0m) respectively. The capped interest rates are 6.0%.

*(iii) Hedge of net investment in foreign entity*

The Group has Euro denominated senior bank loan borrowings of which it has designated as a hedge of the net investment in its subsidiaries in Continental Europe. The value of these Euro borrowings at 31 December 2012 were £139.2m (2011: £143.8m). A foreign exchange gain of £2.1m (2011: £1.5m) on translation of the borrowings into sterling has been offset against an exchange loss of £2.1m (2011: £1.5m) on translation of the net investment in subsidiaries.

**Fair values of non-derivative financial assets and liabilities**

Where market values are not available, fair values of financial assets and financial liabilities have been calculated by discounting expected future cash flows at prevailing interest rates and by applying year and exchange rates. The book value of short term borrowings is approximate to fair value as the impact of discounting is not significant.

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**17 Financial Instruments (continued)**

**17 (b) Financial Instruments - numerical disclosures (continued)**

**Fair value of primary financial instruments held or issued to finance operations**

Group	At 31 December 2012		At 31 December 2011	
	Book value £m	Fair value £m	Book value £m	Fair value £m
Primary financial instruments held or issued to finance the Group's operations				
Short term financial liabilities and current portion of long term borrowings	(50.8)	(50.8)	(23.4)	(23.4)
Other long term borrowings	(1,843.3)	(1,738.7)	(1,776.0)	(1,666.5)
Trade and other payables	(474.3)	(474.3)	(415.1)	(415.1)
Trade and other receivables	304.8	304.8	303.0	303.0
Cash and cash equivalents	168.4	168.4	145.2	145.2
Retirement benefit obligations	(83.3)	(83.5)	(60.1)	(60.1)
Provisions for other liabilities and charges	(12.7)	(12.7)	(12.1)	(12.1)
Interest rate caps with deferred premiums	(2.2)	(2.2)	(1.8)	(1.8)
Interest rate caps	0.6	0.6	-	-

The book values of short term bank deposits, loans and other borrowings with a maturity of less than one year are assumed to approximate to their fair values. In the case of bank loans and other borrowings due in more than one year the fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current estimated market interest rate available to the Group for similar financial instruments.

Other fair values shown above have been calculated by discounting cash flows at prevailing interest rates.

Company	At 31 December 2012		At 31 December 2011	
	Book value £m	Fair value £m	Book value £m	Fair value £m
Primary financial instruments held or issued to finance the Company's operations				
Short term financial liabilities and current portion of long term borrowings	(3.8)	(3.8)	(3.8)	(3.8)
Other long term borrowings	(773.3)	(768.9)	(691.1)	(694.1)
Trade and other payables	(44.8)	(44.8)	(27.2)	(27.2)
Other receivables - amounts owed by group and parent undertakings	801.4	801.4	716.3	716.3

**17 (c) Financial Instruments - by category**

The accounting policies for financial instruments have been applied to the line items below.

Group	Assets at fair value through the profit and loss £m	Loans and receivables £m	Total £m
At 31 December 2012			
Assets as per statement of financial position			
Trade and other receivables		304.8	304.8
Cash and cash equivalents		168.4	168.4
Derivative financial instruments	0.6	-	0.6
	0.6	473.2	473.8

Group	Assets at fair value through the profit and loss £m	Loans and receivables £m	Total £m
At 31 December 2011			
Assets as per statement of financial position			
Trade and other receivables	-	303.0	303.0
Cash and cash equivalents	-	145.2	145.2
	-	448.2	448.2

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**17 Financial Instruments (continued)**

**17 (c). Financial Instruments - by category (continued)**

Group	Liabilities at fair value through the profit and loss £m	Financial liabilities at amortised cost £m	Total £m
<b>At 31 December 2012</b>			
Liabilities as per statement of financial position			
Borrowings	-	1,877.7	1,877.7
Derivative financial instruments	2.2	-	2.2
Trade and other payables excluding statutory liabilities	-	451.7	451.7
	<b>2.2</b>	<b>2,329.4</b>	<b>2,331.6</b>

Group	Liabilities at fair value through the profit and loss £m	Financial liabilities at amortised cost £m	Total £m
<b>At 31 December 2011</b>			
Liabilities as per statement of financial position			
Borrowings		1,793.4	1,793.4
Derivative financial instruments	1.8		1.8
Trade and other payables excluding statutory liabilities		394.9	394.9
	<b>1.8</b>	<b>2,188.3</b>	<b>2,190.1</b>

Company	Loans and receivables £m
<b>At 31 December 2012</b>	
Assets as per statement of financial position	
Trade and other receivables	801.4

Company	Loans and receivables £m
<b>At 31 December 2011</b>	
Assets as per statement of financial position	
Trade and other receivables	716.3

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**17 Financial Instruments (continued)**

**17 (c) Financial Instruments - by category (continued)**

Company	Financial liabilities at amortised cost £m
At 31 December 2012	
Liabilities as per statement of financial position	
Borrowings	777.1
Trade and other payables excluding statutory liabilities	44.8
	<b>821.9</b>

Company	Financial liabilities at amortised cost £m
At 31 December 2011	
Liabilities as per statement of financial position	
Borrowings	694.9
Trade and other payables excluding statutory liabilities	27.2
	<b>722.1</b>

**17 (d) Credit quality of financial assets**

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to our Group risk profile indication based upon information provided by our external credit agencies

	Group 2012 £m	2011 £m
At 31 December		
Trade receivables		
Low risk	150.8	127.4
Medium risk	48.3	54.7
High risk	13.2	14.1
	<b>210.3</b>	<b>196.2</b>

These categories of risk reflect the relative credit risk attributable to our trade receivables

	Group 2012 £m	2011 £m
At 31 December		
Cash at bank and short term deposits		
AA	0.5	11.4
A +	150.6	121.9
A	11.3	3.2
A -	0.6	-
BB +	5.4	8.6
	<b>168.4</b>	<b>145.1</b>

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**18 Retirement benefit obligations**

Following the acquisition of Brake Bros Holding I Limited in 2007 the Group operates a number of pension schemes for its UK employees the assets of all schemes being held in separate trustee administered funds. These pension schemes are operated by Brake Bros Limited a subsidiary of Brake Bros Holding I Limited.

The Brake Bros plc Pension Scheme was closed to new entrants in June 2001 and was closed to existing employees at 31 December 2003. No further benefits are accruing to members subsequent to this date. The scheme is a contracted out defined benefit scheme providing final salary related benefits accruing 1/60th for each year of service and a lump sum in the event of death in service.

The Brakes Money Purchase Pension Plan is contracted into the State pension scheme and minimum contribution rates are 3% of pensionable salary for members and 4% for employers with higher employers contributions for managers. Funds are invested with Legal & General Investment Management.

In addition, in Continental Europe the Group is liable for certain post employment benefits which meet the criteria of a defined benefit plan. These obligations are of an unfunded nature.

**Defined contribution schemes**

Pension costs for defined contribution schemes are as follows:

	2012 £m	2011 £m
Defined contribution schemes	6.6	5.4

**Defined benefit plans**

	UK 2012 £m	Continental Europe 2012 £m	Group 2012 £m	UK 2011 £m	Continental Europe 2011 £m	Group 2011 £m
<b>Retirement benefit obligations</b>						
At 1 January	36.6	23.5	60.1	20.9	3.7	24.6
Exchange adjustment	-	0.1	0.1	-	(0.7)	(0.7)
On acquisition of subsidiary undertaking	-	-	-	-	18.0	18.0
Interest on obligation	8.8	0.9	9.7	9.4	0.4	9.8
Expected return on scheme assets	(8.2)	-	(8.2)	(9.5)	-	(9.5)
Obligations accrued in the year	-	1.1	1.1	-	0.5	0.5
Contributions paid in the year	(3.2)	(0.6)	(3.8)	(2.0)	(0.2)	(2.2)
Actuarial losses / (gains) recognised in equity	4.7	(0.2)	4.5	18.1	1.8	19.9
<b>At 31 December</b>	<b>38.7</b>	<b>24.8</b>	<b>63.5</b>	<b>36.6</b>	<b>23.5</b>	<b>60.1</b>

Brake Bros plc Pension Scheme retirement benefit obligations up to a maximum amount of £20.0m (2011: £20.0m) are secured by way of a charge over certain property, plant and equipment of the group.

The most recent actuarial valuation of The Brake Bros plc Pension Scheme was carried out at 5 April 2011. The principal assumptions made by the actuaries for the periods ended 31 December were:

	2012 %	2011 %
<b>UK assumptions</b>		
Rate of increase in pensions in payment and deferred pensions	2.9	3.0
Discount rate	4.7	4.9
Inflation assumption RPI	2.95	3.1
Inflation assumption CPI	2.25	2.2
Expected return on plan assets	5.6	5.7
<b>France assumptions</b>		
Discount rate	3.25	4.3
<b>Sweden assumptions</b>		
Discount rate	3.6	3.6
Salary increase	3.0	3.0
Inflation	2.0	2.0

**Mortality rate UK assumptions**

Assumptions regarding future mortality experience are set based on advice and published statistics. The average life expectancy in years of a pensioner retiring at age 65 on the date of the statement of financial position is as follows:

	2012	2011
Male	21.5	21.5
Female	23.9	23.9

The average life expectancy in years of a pensioner retiring at age 65 20 years after the date of the statement of financial position is as follows:

	2012	2011
Male	22.8	22.8
Female	25.6	25.5

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**18 Retirement benefit obligations (continued)**

**Pensions and other post-retirement obligations**

The amounts recognised in the statement of financial position at 31 December are determined as follows

	Group 2012 £m	Group 2011 £m	Group 2010 £m	Group 2009 £m	Group 2008 £m
Present value of funded obligations	193.6	182.9	167.8	164.7	132.1
Present value of unfunded obligations	24.8	23.5	3.7	3.3	3.1
Fair value of plan assets	(154.9)	(146.3)	(146.9)	(134.3)	(119.2)
<b>Net pension liability recognised in the statement of financial position</b>	<b>63.5</b>	<b>60.1</b>	<b>24.6</b>	<b>33.7</b>	<b>16.0</b>

Experience gains / (losses) on plan assets for the year	3.2	(7.3)	7.5	9.6	(26.9)
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Experience (losses) / gains on scheme liabilities for the year	(7.7)	(12.6)	(9.3)	(26.7)	19.5
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**Analysis of movement in present value of retirement benefit obligations**

	UK 2012 £m	Continental Europe 2012 £m	Group 2012 £m	UK 2011 £m	Continental Europe 2011 £m	Group 2011 £m
At 1 January	162.9	23.5	206.4	167.8	3.7	171.5
Exchange adjustment	-	0.1	0.1	-	(0.7)	(0.7)
On acquisition of subsidiary undertaking	-	-	-	-	18.0	18.0
Interest cost	8.8	0.9	9.7	9.4	0.4	9.8
Actuarial losses / (gains)	7.9	(0.2)	7.7	10.8	1.8	12.6
Contributions paid by employer	-	(0.6)	(0.6)	-	(0.2)	(0.2)
Obligations accrued in the year	-	1.1	1.1	-	0.5	0.5
Benefits paid	(6.0)	-	(6.0)	(5.1)	-	(5.1)
<b>At 31 December</b>	<b>193.6</b>	<b>24.8</b>	<b>218.4</b>	<b>182.9</b>	<b>23.5</b>	<b>206.4</b>

**Represented by**

	UK 2012 £m	Continental Europe 2012 £m	Group 2012 £m	UK 2011 £m	Continental Europe 2011 £m	Group 2011 £m
Funded obligations	193.6	-	193.6	182.9	-	182.9
Unfunded obligations	-	24.8	24.8	-	23.5	23.5
	193.6	24.8	218.4	182.9	23.5	206.4

**Analysis of movement in fair value of scheme assets**

	UK 2012 £m	Continental Europe 2012 £m	Group 2012 £m	UK 2011 £m	Continental Europe 2011 £m	Group 2011 £m
At 1 January	146.3	-	146.3	146.9	-	146.9
Expected return on plan assets	8.2	-	8.2	9.8	-	9.8
Actuarial gains / (losses)	3.2	-	3.2	(7.3)	-	(7.3)
Contributions paid by employer	3.2	-	3.2	2.0	-	2.0
Benefits paid	(6.0)	-	(6.0)	(5.1)	-	(5.1)
<b>At 31 December</b>	<b>154.9</b>	<b>-</b>	<b>154.9</b>	<b>146.3</b>	<b>-</b>	<b>146.3</b>

The current contribution schedule in place will have the Group make a cash contribution of £2.2m in respect of the UK retirement benefit obligations in the year ending 31 December 2013. On 31 December 2012 a payment of £1m was made in respect of the £2.2m scheduled contributions due in 2013 leaving a balance of £1.2m due for payment in 2013.

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**18 Retirement benefit obligations (continued)**

The UK assets in the scheme and the expected rate of return were

	2012 Long term rate of return expected per annum %	Value £m	2011 Long term rate of return expected per annum %	Value £m
Equities	7.3	75.7	7.5	68.5
Bonds	3.3	69.5	3.5	59.7
Other assets	5.8	19.7	6.4	18.1
	5.6	154.9	5.7	146.3

The overall expected return on scheme assets is determined by reference to the expected rates of return on each class of asset stated above together with the expected profile of investments held

The amounts recognised in the consolidated income statement are as follows

	Group 2012 £m	Group 2011 £m
Interest obligation included within finance costs	9.7	9.8
Expected return on scheme assets included within finance income	(8.2)	(9.8)
Net expense	1.5	-

Group actuarial losses of £4.5m (2011: £19.9m) were recognised in the year and included in the consolidated statement of comprehensive income. The cumulative amount of actuarial losses included in the consolidated statement of comprehensive income is £53.5m (2011: £49.0m).

The actual gain on plan assets was £11.4m (2011: £2.5m).

The Company did not operate any defined contribution schemes or defined benefit schemes during the financial year ended 31 December 2012.

**19 Provisions for other liabilities and charges**

	Group 2012 £m	Group 2011 £m
<b>Property dilapidation obligations</b>		
At 1 January	12.1	10.8
Credited to the income statement during the year	-	(0.3)
Provisions for property, plant and equipment additions during the year	0.6	2.0
Utilised during the year	-	(0.2)
<b>At 31 December</b>	<b>12.7</b>	<b>12.1</b>
Non-current	11.3	11.4
Current	1.4	0.7
	12.7	12.1

Property dilapidation obligations relate to leasehold property held by the group and primarily represent obligations to reinstate property to its original condition at the end of the lease term.



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**20 Deferred tax liabilities**

The movement on the deferred tax account is as shown below

	Group 2012 £m	Group 2011 £m
<b>Deferred tax</b>		
At 1 January	89.5	89.8
Exchange adjustment	0.1	0.1
Acquisition of subsidiaries	-	(0.1)
Tax credit on retirement benefit obligation actuarial loss taken directly to other comprehensive income	(0.4)	(4.7)
Credited to the income statement in the year	(17.1)	(15.6)
<b>At 31 December</b>	<b>52.1</b>	<b>69.5</b>

Deferred tax assets and liabilities are only offset where there is a legally enforceable right of offset and there is an intention to settle the balances net

	£m
<b>Deferred tax liabilities</b>	
At 1 January 2012	(86.0)
Credited to the income statement in the year	16.0
<b>At 31 December 2012</b>	<b>(70.0)</b>

The deferred tax liabilities are in respect of accelerated tax depreciation of £89.0m in respect of customer contracts and relationships and brands intangible assets and other adjustments and £19.0m for deferred tax assets for capital allowances timing differences

	Retirement benefit obligations £m	Tax losses £m	Total £m
<b>Deferred tax assets</b>			
At 1 January 2012	9.7	6.8	16.5
Exchange adjustment	-	(0.1)	(0.1)
Tax credit on retirement benefit obligation actuarial loss taken directly to other comprehensive income	0.4	-	0.4
Charged to the income statement in the year	0.7	0.4	1.1
<b>At 31 December 2012</b>	<b>10.8</b>	<b>7.1</b>	<b>17.9</b>
<b>Net deferred tax liabilities at 31 December 2012</b>			<b>(52.1)</b>

	£m
<b>Deferred tax liabilities</b>	
At 1 January 2011	(105.4)
Acquisition of subsidiaries	(1.8)
Credited to the income statement in the year	21.2
<b>At 31 December 2011</b>	<b>(86.0)</b>

	Retirement benefit obligations £m	Tax losses £m	Total £m
<b>Deferred tax assets</b>			
At 1 January 2011	5.7	9.9	15.6
Exchange adjustment	-	(0.1)	(0.1)
Acquisition of subsidiaries	-	1.9	1.9
Tax credit on retirement benefit obligation actuarial loss taken directly to other comprehensive income	4.7	-	4.7
Charged to the income statement in the year	(0.7)	(4.9)	(5.6)
<b>At 31 December 2011</b>	<b>9.7</b>	<b>6.8</b>	<b>16.5</b>
<b>Net deferred tax liabilities at 31 December 2011</b>			<b>(69.5)</b>

All of the deferred tax assets were available for offset against deferred tax liabilities and hence the net deferred tax liability at 31 December 2012 was £52.1m (2011: £69.5m)

Deferred tax assets have been recognised in respect of tax losses to the extent that it is considered probable based on internal forecasts that these assets will be recovered. In respect of tax losses and retirement benefit obligations the deferred tax asset expected to be recovered after more than one year is £3.8m (2011: £3.2m) and £8.5m (2011: £8.6m) respectively. There are unrecognised deferred tax assets of £24.3m (2011: £29.1m) in respect of unutilised tax losses in the UK. The deferred tax credited to other comprehensive income during the year amounted to £0.4m (2011: £4.7m).

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**21 Share capital**

Group and Company	2012 £m	2011 £m
Authorised 30 000 000 (2011: 30 000 000) ordinary shares of £1	30.0	30.0
Issued and fully paid		
	Number	£m
Ordinary shares of £1 each		
At 1 January	20,680,979	20.7
At 31 December	20,680,979	20.7

No shares have been issued during the year

**22. Reserves**

Group	Accumulated deficit £m	Hedging £m	Other reserves Business combinations under common control £m	Other £m	Total £m
At 1 January 2012	(353.5)	(0.1)	(14.1)	(6.1)	(373.8)
Loss for the year	(129.1)	-	-	-	(129.1)
Net exchange differences on foreign currency translations	-	-	-	0.2	0.2
Retirement benefit obligation actuarial loss	(4.5)	-	-	-	(4.5)
Taxation on retirement benefit obligation actuarial loss	0.4	-	-	-	0.4
At 31 December 2012	(486.7)	(0.1)	(14.1)	(5.9)	(506.8)

Group	Accumulated deficit £m	Hedging £m	Other reserves Business combinations under common control £m	Other £m	Total £m
At 1 January 2011	(257.1)	(0.2)	-	(5.8)	(263.1)
Loss for the year	(80.9)	-	-	-	(80.9)
On Acquisition of subsidiary undertaking	-	-	(14.1)	-	(14.1)
Net exchange differences on foreign currency translations	-	-	-	(0.3)	(0.3)
Retirement benefit obligation actuarial loss	(19.9)	-	-	-	(19.9)
Taxation on retirement benefit obligation actuarial loss	4.4	-	-	-	4.4
Cash flow hedges - fair value gains in the year	-	0.1	-	-	0.1
At 31 December 2011	(353.5)	(0.1)	(14.1)	(6.1)	(373.8)

The business combinations under common control reserve is in respect of any difference between the cost of the acquisition and the amounts at which the assets and liabilities are recorded for business combinations under common control

Included within other reserves are cumulative exchange losses of £5.9m (2011: £5.1m). These losses have arisen on translation of a foreign operation (refer to note 10 (a) for investments in subsidiaries for further details)

The hedging reserve records the effective portion of gains and losses arising from the re-measurement of financial instruments designated as hedging instruments in cash flow hedges

Company	Accumulated deficit £m
At 1 January 2012	(5.8)
Loss for the year	(14.7)
At 31 December 2012	(20.5)

Company	Accumulated deficit £m
At 1 January 2011	(4.0)
Loss for the year	(1.8)
At 31 December 2011	(5.8)

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**23 Cash generated from operating activities**

Reconciliation of loss before taxation to net cash generated from operations for the year ended 31 December 2012

	Group 2012 £m	2011 £m	Company 2012 £m	2011 £m
Loss before taxation	(123.3)	(108.1)	-	-
Adjustments for:				
Finance income	(10.6)	(12.4)	(85.1)	(75.3)
Finance costs	152.6	137.9	85.1	75.3
Depreciation charges	32.5	27.1	-	-
Amortisation of intangibles	53.7	49.7	-	-
Impairment of goodwill, brands and customer contracts and relationships impairment	-	12.1	-	-
Share of profit from associate	-	(0.8)	-	-
Retirement benefit contributions paid	(3.8)	(2.2)	-	-
(Profit) / loss on sale of property, plant and equipment	(3.8)	0.2	-	-
Increase in inventories	(11.1)	(0.7)	-	-
Increase in trade and other receivables	(21.4)	(0.5)	-	-
Increase in trade and other payables	55.1	23.9	-	-
<b>Cash generated from operations</b>	<b>119.9</b>	<b>126.1</b>	<b>-</b>	<b>-</b>

**24 Analysis of changes in net debt**

Group	At 1 January 2012 £m	Cash flow £m	Inception of finance leases £m	Other non-cash movements £m	Exchange movements £m	At 31 December 2012 £m
<b>Cash and cash equivalents</b>	<b>145.2</b>	<b>23.7</b>	-	-	(0.5)	<b>168.4</b>
Loan notes	(0.4)	-	-	-	-	(0.4)
Bank loans	(3.0)	1.8	-	0.8	-	(0.4)
Senior bank loans	(9.0)	3.0	-	(27.4)	-	(33.4)
Other loans owed to parent undertaking	(3.8)	-	-	-	-	(3.8)
<b>Debt due within one year</b>	<b>(16.2)</b>	<b>4.8</b>	-	(26.6)	-	<b>(38.0)</b>
Loan notes	(0.7)	0.4	-	-	-	(0.3)
Bank loans	(157.0)	7.3	-	(1.5)	(0.3)	(151.5)
Senior bank loans	(909.2)	3.9	-	27.8	3.9	(873.6)
Payment-in-kind loan owed to parent undertaking	(281.4)	-	-	(21.7)	-	(303.1)
Other loans owed to parent undertaking	(6.2)	-	-	(0.8)	-	(7.0)
Shareholder loan owed to parent undertaking	(403.5)	-	-	(59.7)	-	(463.2)
<b>Debt due after one year</b>	<b>(1,758.0)</b>	<b>11.6</b>	-	(55.9)	3.6	<b>(1,798.7)</b>
Finance lease obligations	(19.2)	10.6	(32.2)	-	(0.2)	(41.0)
Derivative financial instruments	(1.8)	3.7	-	(3.5)	-	(1.6)
<b>Total net debt</b>	<b>(1,650.0)</b>	<b>54.4</b>	<b>(32.2)</b>	<b>(86.0)</b>	<b>2.9</b>	<b>(1,710.9)</b>

Group	At 1 January 2011 £m	Cash flow £m	Acquisitions (excluding cash and overdrafts) £m	Inception of finance leases £m	Other non-cash movements £m	Exchange movements £m	At 31 December 2011 £m
<b>Cash and cash equivalents</b>	<b>87.4</b>	<b>58.7</b>	-	-	-	(0.9)	<b>145.2</b>
Loan notes	-	-	(0.4)	-	-	-	(0.4)
Bank loans	(2.2)	0.3	(0.5)	-	(0.6)	-	(3.0)
Senior bank loans	(9.5)	9.5	-	-	(9.0)	-	(9.0)
Other loans owed to parent undertaking	(3.8)	-	-	-	-	-	(3.8)
<b>Debt due within one year</b>	<b>(15.5)</b>	<b>9.8</b>	<b>(0.9)</b>	-	(9.6)	-	<b>(16.2)</b>
Loan notes	-	-	(0.7)	-	-	-	(0.7)
Bank loans	(111.6)	(13.0)	(34.2)	-	0.6	1.2	(157.0)
Senior bank loans	(891.9)	(18.7)	-	-	(2.4)	3.8	(909.2)
Payment-in-kind loan	(281.8)	-	-	-	(19.6)	-	(281.4)
Other loans owed to parent undertaking	(5.4)	-	-	-	(0.8)	-	(6.2)
Shareholder loan owed to parent undertaking	(351.7)	-	-	-	(51.8)	-	(403.5)
<b>Debt due after one year</b>	<b>(1,822.4)</b>	<b>(31.7)</b>	<b>(34.9)</b>	-	(74.0)	5.0	<b>(1,758.0)</b>
Finance lease obligations	(19.9)	6.9	(2.7)	(3.8)	-	0.3	(19.2)
Derivative financial instruments	(1.1)	-	-	-	(0.7)	-	(1.8)
<b>Total net debt</b>	<b>(1,571.5)</b>	<b>43.7</b>	<b>(38.5)</b>	<b>(3.8)</b>	<b>(84.3)</b>	<b>4.4</b>	<b>(1,650.0)</b>

Net debt comprises the total of cash and cash equivalents and financial liabilities - borrowings and derivative financial instruments

Material other non-cash movements comprise non-cash interest added to senior bank loans, to the payment-in-kind loan and to the shareholder loan owed to the parent undertaking amounting to £86.3m (2011: £77.0m) and changes in the value of derivative financial instruments amounting to a £3.5m increase (2011: £0.7m)

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**25 Employees and directors' emoluments**

Average monthly number of people employed by the Group during the year

	2012 Number	2011 Number
Distribution manufacturing and selling	9,229	8,440
Administration	851	888
	10,080	9,328

	2012 £m	2011 £m
The costs incurred in respect of these employees were		
Wages and salaries	274.7	239.7
Social security costs	48.7	41.0
Defined benefit pension costs	0.9	0.2
Defined contribution pension costs (note 18)	8.6	5.4
	330.9	286.3

The Company has no employees or employee related costs

**Key management compensation**

	2012 £'000	2011 £'000
Salaries and short term benefits	8,656	5,188
Post-employment benefits	423	274
	9,079	5,462

The key management figures given above include directors. The Group considers key management to be those persons who have the authority and responsibility for planning, directing and controlling the activities of the Group.

During the year certain employees held 2,188,797,050 A-D ordinary shares and loan notes with a nominal value of £4,622,090 in a parent undertaking, Cucina Investments (UK) 2 Limited as part of a management incentive plan. On 23 November 2012 the equity element of the management incentive plan, which had been in place since 18 July 2010 was cancelled. No IFRS 2 charge had previously been recognised for the equity settled shares within this scheme as the fair value of the shares at the grant date was materially equal to the market value that employees had paid. On 23 November 2012 a new package of shares and loan notes in a parent undertaking Cucina Investments (UK) 3 Limited was entered into, with employees holding 31,042,457 A-ZZ ordinary shares and loan notes with a nominal value of £2,662,802. Certain employees retained their loan notes within Cucina Investments (UK) 2 Limited. The new shares are equity settled, no IFRS 2 charge is recognised within the financial statements of Cucina Investments (UK) 3 Limited because the fair value of the new equity issued is considered to be materially equal to the market value.

The loan notes held by employees in the parent undertaking Cucina Investments (UK) 2 Limited accrue interest at 14.75% until April 2013, when the interest then reduces to 7%. The loan notes held by employees in the parent undertaking Cucina Investments (UK) 3 Limited accrue interest at 7%.

Directors of the Company and of subsidiary undertakings hold 13,298,953 A-Z shares and loan notes with a nominal value of £1,055,333 in a parent undertaking, Cucina Investments (UK) 3 Limited and loan notes with a nominal value of £982,279 in a parent undertaking, Cucina Investments (UK) 2 Limited.

**Directors' emoluments**

	2012 £'000	2011 £'000
Aggregate emoluments	1,821	1,966
Company pension contributions to money purchase schemes	109	161
Retirement benefits are accruing to 3 (2011: 2) directors under money purchase pension arrangements only		
Emoluments paid to the highest paid director are as follows		
Aggregate emoluments and benefits	1,008	824
Company pension contributions to money purchase schemes	60	60

**26 Commitments**

**(a) Capital commitments**

Group	2012 £m	2011 £m
At 31 December		
Contracted for but not provided	11.9	8.6

Capital commitments amounting to £9.9m (2011: £8.1m) are in respect of the development of the UK distribution network and land and buildings and £2.0m (2011: £0.5m) are in respect of motor vehicles.

**(b) Operating lease commitments**

The total of future minimum lease payments in respect of non-cancellable operating leases are as follows:

	2012		2011	
Group	Land and buildings £m	Other £m	Land and buildings £m	Other £m
At 31 December				
Within one year	18.1	4.8	13.8	5.2
Between two and five years	62.7	9.9	39.3	23.7
After five years	103.4	3.6	35.5	14.7
	184.2	18.2	88.6	43.6

The Group leases various properties and plant and equipment under non-cancellable operating lease agreements. The leases have various terms and renewal rights. The Group has also sub-let certain properties under non-cancellable sublease agreements and the total of future minimum lease payments expected to be received amounts to £0.4m (2011: £1.2m).

The Company has no capital commitments or operating lease commitments.

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**27 Related party transactions**

During the year the Company has entered into certain transactions with other companies in the Cucina (BC) Luxco S à r l Group. Details of these transactions are as follows:

(a) Income statement	2012 £m	2011 £m
Finance income on loans to subsidiary undertakings	85.1	75.3
Finance costs on loan from parent undertaking	(63.9)	(55.8)
Group tax relief income	(14.7)	(1.8)
(b) Year-end balances at 31 December	2012 £m	2011 £m
Loans owed by subsidiary undertakings	777.3	694.9
Amounts owed by subsidiary undertakings - finance income	24.1	21.4
Other amounts owed by subsidiary undertakings - group tax relief	(19.2)	(5.8)
Amounts owed to parent undertakings - group tax relief	(1.5)	
Shareholder loan owed to parent undertaking	(463.2)	(403.5)
Payment-in-kind loans owed to parent undertakings	(225.9)	(115.9)
Other loans owed to parent undertaking	(10.8)	(10.0)
Amounts owed to parent undertakings - finance costs	(24.1)	(20.8)

None of the balances are secured.

As disclosed in note 28 to the financial statements the ultimate controlling parties of the Company are Bain Capital Fund IX E LP and Bain Capital Fund VIII E LP. In addition to the above transactions the Group also purchased management and consulting services and financial and other advisory services from Bain Capital. These advisory fees in 2012 amounted to £17.7m (2011: £7.6m) with £4.3m (2011: £4.0m) included within exceptional items, £1.6m (2011: £3.8m) included within administrative expenses and £11.8m (2011: £nil) included within debt issue costs. At the year end amounts owed to Bain Capital by the Group and included within trade and other payables for advisory fees amounted to £0.4m 2012 (2011: £0.9m).

Key management compensation is disclosed in note 25.

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**28. Ultimate parent company and controlling party**

The immediate parent undertaking and controlling party is Cucina Holdings (UK) Limited, a company incorporated in the United Kingdom.

The ultimate parent undertaking is Cucina (BC) Luxco S à r l, a private limited company registered in Luxembourg. The ultimate controlling parties of the Company are Bain Capital Fund IX E LP and Bain Capital Fund VIII E LP, both are exempted limited partnerships registered in the Cayman Islands, which are indirectly controlled by Bain Capital Investors LLC, a Delaware limited liability company.

The parent undertaking of the smallest group to consolidate these financial statements is Cucina Finance (UK) Limited and the parent undertaking of the largest UK group to consolidate these financial statements is Cucina Lux Investments Limited. Copies of Cucina Finance (UK) Limited and Cucina Lux Investments Limited consolidated financial statements can be obtained from the Company Secretary at Enterprise House, Eureka Business Park, Ashford, Kent, TN25 4AG.

**29. Post balance sheet events**

There are no post balance sheet events.