

# R&R ICE CREAM plc

(formerly R&R Ice Cream Limited)



# DIRECTORS' REPORT & FINANCIAL STATEMENTS

31 DECEMBER 2010





#### CORPORATE INFORMATION

##### **DIRECTORS:**

Brian Buchan (resigned 31 December 2010),  
Hermann Dambach, Scott Graves, Caleb Kramer,  
James Lambert, Achim Schön (resigned  
30 September 2010)

##### **SECRETARY:**

Andrew Finneran

##### **AUDITORS:**

KPMG LLP, 1 The Embankment, Neville Street,  
Leeds LS1 4DU

##### **BANKERS:**

Barclays Bank Plc, PO Box 190, 2nd Floor,  
1 Park Row, Leeds LS1 5WU

##### **SOLICITORS:**

Eversheds LLP, Bridgewater Place, Water Lane,  
Leeds LS11 5DR

##### **REGISTERED OFFICE:**

Richmond House, Plews Way,  
Leeming Bar Industrial Estate, Northallerton,  
North Yorkshire DL7 9UL

Registered No. 05777981

# CONTENTS

<b>Directors' report</b>	02
<b>Statement of Directors' responsibilities</b>	05
<b>Independent auditor's report to the members of R&amp;R Ice Cream plc</b>	06
<b>Consolidated financial statements</b>	
Consolidated income statement	07
Consolidated statement of comprehensive income	08
Consolidated statement of changes in equity	08
Consolidated statement of financial position	09
Consolidated statement of cash flows	09
Accounting policies	10
Notes to the consolidated financial statements	14
<b>Company only accounts</b>	
Company only balance sheet	30
Notes to the Company only accounts	31

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# DIRECTORS' REPORT

The Directors present their report and the Group financial statements for the year ended 31 December 2010.

## RESULTS AND DIVIDENDS

The Directors are pleased to report that 2010 was a good year for R&R against a background of increasing commodity prices and pricing pressures in the ice cream retail market. We generated an Adjusted EBITDA of €63.9 million (see note 3 to the financial statements), a fall of €11.5 million on the previous year, but this is still, we believe, one of the better returns in the food industry.

We continue to present the business performance before exceptional items, amortisation, non-cash interest and taxation in order that users can get a more insightful picture of the underlying performance of the business. Under this measure, the business has fallen back from an underlying profit of €48 million in 2009 to €32 million in 2010.

The Group loss for the year under IFRS, after taxation, amounted to €16.5 million (2009: €6 million profit).

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

## PRINCIPAL ACTIVITIES

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

## COMPANY REREGISTRATION

On 28 October 2010 the company was reregistered as a plc.

## BUSINESS REVIEW AND FUTURE DEVELOPMENTS

### Introduction

On the back of record results for R&R in 2009, core trading in 2010 has been much more challenging across the ice cream market with:

- rising commodity cost prices coupled with contractually fixed selling prices, particularly in mainland Europe. Contracts in Europe are generally set annually in April and the subsequent cost increases are difficult to pass on part way through a season and contract.
- more aggressive promotions from our key competitor, Unilever, across Europe and particularly with respect to the Ben & Jerry's brand in the UK.
- continued price pressure in Germany as a result of Edeka's recent acquisition of Plus.
- disappointing weather across Northern Europe.

In the face of these pressures, management believes the business has performed well relative to our competitors. See the results section overleaf for further discussion of the trading of the Group.

There have also been a number of structural changes to the business in the year. The key changes were:

- Refinancing - The settlement of our existing floating rate bank debt and raising €350 million of medium term, fixed rate loan notes.
- Rolland - The acquisition of Rolland, a leading private label manufacturer in the French market for €40 million.
- Strückhausen closure - The continued consolidation of our German operations, costing approximately €4 million.
- Kelly's - The acquisition of the remaining 25% of Kelly's for €3 million.

### Refinancing

In November 2010, R&R Ice Cream plc offered for sale €350.0 million of 2017 loan notes at a fixed interest rate of 8.375%. The proceeds raised were used principally (i) to satisfy approximately €147.5 million of indebtedness of R&R Ice Cream plc and its subsidiaries under the Group's then existing

banking facilities, (ii) to satisfy €60.0 million of indebtedness of R&R Rolland France SAS under its existing banking facilities, (iii) to directly and indirectly partially settle certain parent company debt, via a dividend (€71 million) and settlement of the B PIK notes and interest (€41.0 million), and (iv) for the general corporate purposes of the Group. The offer was initially sized at €280 million but the success of the issue and the support of the potential bond holders enabled the Board to increase the offer. Concurrently with the loan notes issue, a new €60.0 million Revolving Credit Facility was entered into with a number of lenders. Together these transactions are known as the refinancing.

In addition to improving the liquidity of the balance sheet position immediately post-refinancing, the loan note issue also opens up to us the future possibility of raising further loan capital, should we require it for the corporate purposes of the Group, flexibility that we did not have under the previous syndicated financing regime.

Shortly after issue, the 2017 loan notes were listed for trading on the Luxembourg stock exchange's Euro MTF market.

### Rolland

In June 2010, one of our affiliates acquired 'Rolland' (comprising Soparo SAS and its subsidiaries, Rolland SAS and Paladine SAS). The acquisition was initially transacted through an affiliate since we were precluded from a direct acquisition due to restrictions surrounding our structure at the time; the refinancing in November 2010 (opposite) gave us the opportunity to restructure and to bring Rolland properly into the R&R Group.

The Rolland business has a strong heritage in the French ice cream market and has built its ice cream manufacturing strategy on service, quality and innovation. Rolland operates out of Plouédern and Dangé-Saint Romain, and its core business remains the French private label market. The acquisition gives R&R a stronger presence in the French market and Rolland's manufacturing capabilities present a raft of new product opportunities to the rest of the Group.

### Strückhausen closure

Following the successful integration of our Haltern business into Osnabrück and with the Strückhausen property rapidly approaching the end of its lease term, management took the decision to also incorporate the Strückhausen business into Osnabrück. The closure has been ongoing throughout 2010 and was substantially complete by the end of the season. The amalgamation of these two operating sites has streamlined the R&R overhead base and means we will benefit from reduced operating costs in future periods.

### Kelly's

In January 2010 the Group acquired the remaining 25% of Kelly's of Cornwall Limited whilst disposing of its subsidiary Kelly's of Bodmin Limited, the "mobile" business as part of the consideration. The acquisition gives R&R greater opportunity to leverage the Kelly's brand which had already shown significant sales growth, increased distribution and increased brand recognition since we acquired control.

The operations of the disposed Kelly's of Bodmin Limited were considered by the Directors to be non-core.

## Results

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

	2010 €000	2009 €000
<b>Turnover</b>	<b>450,787</b>	<b>416,602</b>
<b>Adjusted EBITDA</b>	<b>63,896</b>	<b>75,428</b>
<i>Adjusted EBITDA%</i>	14.2%	18.1%
OCM management fees	(504)	(508)
Depreciation	(17,685)	(15,997)
Loss on disposal of fixed assets	(210)	(829)
<b>Result from operating activities (ordinary course)</b>	<b>45,497</b>	<b>58,094</b>
Exceptional items (note 8)	(9,228)	(1,523)
Amortisation	(9,517)	(10,031)
<b>Result from operating activities</b>	<b>26,752</b>	<b>46,540</b>
Fees relating to voluntary debt prepayments	(1,002)	-
Other net finance costs	(13,468)	(10,468)
<b>Result before non-cash interest and taxation</b>	<b>13,284</b>	<b>36,072</b>
Accrued but unpaid interest to parent undertakings	(20,703)	(26,476)
Interest accrued and paid to parent undertakings	(4,359)	-
Net foreign exchange gain	565	695
Other non-cash interest (fair value of derivatives)	405	(656)
<b>(Loss)/profit for the year before tax</b>	<b>(11,810)</b>	<b>9,635</b>

R&R Group turnover shows an increase of €34 million year-on-year. However, given that Rolland contributed €51 million to the overall turnover of the Group in 2010, this means like-for-like sales are down €17 million year-on-year. By territory, the reasons for the shortfalls are as follows:

- €8 million - Germany/Poland - domestic sales in Germany are down €11 million, principally due to lost own label business as Edeka and Plus continue to consolidate their combined supply base, and disappointing weather across Europe driving overall market sales down. Private label export sales to Italy are also down year-on-year, but this is more than offset by domestic sales growth in Poland and export growth with UK customers. Our branded business demonstrated overall growth, with Botterbloom (in Germany) and Zielona Budka (in Poland) performing particularly well.
- €7 million - UK - we lost take home market share to Ben & Jerry's and Häagen Dazs, with Unilever aggressively discounting its Ben & Jerry's brand. In impulse, sales were also disappointing, largely as a result of disappointing summer weather.
- €1 million - France - whilst sales to our main three private label customers remained strong when aggregated, sales to some of our smaller customers fell significantly. Export sales from France performed well.

The gross margin is down across the Group year-on-year. Overall the 2010 Group gross margin is 22.7% for the year, compared to 27.3% in 2009, a fall of 4.6 percentage points. The year-on-year decline is principally due to the increased commodity costs and increased competitor promotional pressures in our core R&R Europe and R&R UK businesses. Together these have contributed adversely to a 2.3 percentage point decline in our gross margin. Pre-acquisition, Rolland generated significantly lower margins than R&R typically commands. This has impacted the overall year-on-year R&R gross margin by 1.5 percentage points. The one-off closure costs associated with the transfer of our Strückhausen business have adversely impacted year-on-year gross margin by 0.8 percentage points.

Adjusted EBITDA has decreased from €75.4 million in 2009 in what was a record year, to a still healthy €63.9 million in 2010. Rolland contributes €2.4 million to the 2010 performance. Adjusted EBITDA margin is down from 18.1% to 14.2%, with the shortfall in the margin mitigated by overhead savings.

## Consolidated statement of financial position

At 31 December 2010, the Consolidated statement of financial position shows a significantly more liquid position than at 31 December 2009. This is principally a function of the refinancing shortly before the year end, when approximately €80 million in excess of our borrowings was raised, after taking account of the fees of the refinancing.

The asset and liability balances in the Consolidated statement of financial position have, for the most part, increased relative to the 2009 comparison. The key reasons for this are the inclusion of the Rolland balances within the 2010 consolidation and, in the case of cash and financial liabilities, the impact of the refinancing.

The impact of the exchange rate used to translate UK net assets has not had as significant effect on the 2010 comparison with the prior year as it has had in previous years. 2009 UK net assets were translated at 1.1255 EUR: 1 GBP whilst 2010 is translated at 1.1618 EUR: 1 GBP. Average exchange rates for the current year are also not dissimilar to the prior year; a rate of 1.1333 EUR: 1 GBP was used to translate the UK's performance in 2009 and a rate of 1.1712 EUR: 1 GBP was used in 2010. Consequently the movement on the currency translation reserve is only €6.0 million this year, the majority of which arises in the UK.

## KEY PERFORMANCE INDICATORS ('KPIs')

The most important KPIs are the weekly KPIs. These have been in place in R&R UK, R&R Europe and Kelly's throughout the year. The management accounts are now standardised across these entities and KPIs are embedded into the organisation with many of the factory KPIs, in particular, measured on a daily basis. Rolland's gradual adoption of R&R-style KPI and management account reporting has been ongoing since the acquisition, and the reporting formats became fully consistent with that of the R&R Group in the first week of 2011.

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

KPIs monitored on a daily basis are:

- Production volume
- Sales volume and value
- Order intake

KPIs monitored weekly/monthly are the above plus:

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

These have already been incorporated into the Rolland business which is a significant transformation in management reporting given an absence of monthly accounting and budgeting prior to our acquisition.

## PRINCIPAL RISKS AND UNCERTAINTIES

The Directors of the Group consider the potential impact of business risks at monthly Board meetings. Actions to mitigate the risks are also discussed. The more significant risks and uncertainties faced by the Group are set out below:

- Commodity cost risk. Commodities such as milk, cream and sugar are subject to price and supply fluctuations. Whilst we look to hedge most of

# DIRECTORS' REPORT (CONT.)

our requirements for a term of up to one year, any unhedged raw materials, including dairy which we cannot hedge, may present additional cost.

- Acquisition strategies. Whilst we undertake detailed due diligence ahead of any acquisition, there is the potential that acquisitions may expose us to additional unforeseen risk.
- Fire or significant damage to a factory. Whilst production can be switched to other sites across the Group, any significant damage to a factory unit will cause short term disruption.
- Seasonality. The ice cream market is characterised by fluctuations in sales although these largely equalise out over a year. Ice cream sales are inextricably linked with the weather and therefore any climate changes have the potential to impact on business.
- Competition in the ice cream industry. The Group operates in highly competitive markets with large, profitable retail customers and its failure to compete effectively could result in a material adverse effect on its results.
- Economic conditions. The Group derives the majority of its profits from sales activity in Germany and the UK. It is therefore sensitive to fluctuations in the economic conditions of these countries.
- Exchange rates. Given that the Group reports in Euros, any strengthening of the Euro relative to Pounds Sterling would adversely affect the UK's contribution to Group profitability.

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

## FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES

The Group finances its activities with a combination of loan notes, shareholder loan notes, debt factoring, cash and revolving credit facilities. Other financial assets and liabilities arise directly from the Group's operating activities. The main risks associated with the Group's financial assets and liabilities are set out as below:

- The Group's functional currency is the Euro. Its UK-based operation buys certain goods and sells almost all goods denominated in Sterling. As a result the value of the Group's Sterling revenues, purchases, financial assets and liabilities and cash flows can be affected significantly by movements in the Sterling exchange rate. To a lesser extent due to the smaller size of the Polish business this is true of the Zloty.
- The 2017 loan notes are denominated and serviced in Euros; some of the proceeds from this have been lent from R&R Ice Cream plc to certain of its subsidiaries. Those subsidiaries which use a functional currency other than the Euro are exposed to foreign exchange risk on the loan balance and the cash flows required to service the debt.
- The shareholder loan notes are denominated in Euros and bear interest at fixed rates. Consequently, there is no foreign exchange risk or interest rate risk on these instruments.
- The Group aims to mitigate liquidity risk by managing cash generation by its operations and applying cash collection targets throughout the Group. Investment is carefully controlled, with authorisation limits operating up to Group Board level.

## RESEARCH AND DEVELOPMENT

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

## DISABLED EMPLOYEES

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

## EMPLOYEE INVOLVEMENT

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

## DIRECTORS AND THEIR INTERESTS

The Directors who served during the year are as follows:

Brian Buchan (resigned 31 December 2010)

Hermann Dambach

Scott Graves

Caleb Kramer

James Lambert

Achim Schön (resigned 30 September 2010)

The Board wishes to place on record its thanks to the two retiring Non-Executive Directors who have played an important role in the successful integration and transformation of the Richmond and Roncadin businesses.

## SUPPLIER PAYMENT POLICY AND PRACTICE

It is the Group's policy that payments to suppliers are made in accordance with those terms and conditions agreed between the Group and its suppliers, provided that all trading terms and conditions have been complied with. At 31 December 2010 creditor days were 56 days (2009: 65 days).

## AUDITORS

In accordance with Section 487 of the Companies Act 2006, a resolution to reappoint KPMG LLP as auditors will be put to the members at the Annual General Meeting.

## DIRECTORS' STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

The Directors who were members of the Board at the time of approving the Directors' report are listed on the inside front cover of this document.

Having made enquiries of fellow Directors and of the Companies auditors, each of these confirms that:

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

By order of the Board



A Finneran  
Secretary  
20 April 2011

# STATEMENT OF DIRECTORS' RESPONSIBILITIES

## STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

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

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

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 parent company and of their profit or loss for that period.

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

- select suitable accounting policies and then apply them consistently;

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

# INDEPENDENT AUDITOR'S REPORT

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF R&R ICE CREAM plc

We have audited the financial statements of R&R Ice Cream plc for the year ended 31 December 2010 set out on pages 7 to 32. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

### RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As explained more fully in the Directors' Responsibilities Statement set out on page 5, 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 (APB's) Ethical Standards for Auditors.

### SCOPE OF THE AUDIT ON THE FINANCIAL STATEMENTS

A description of the scope of an audit of financial statements is provided on the APB's website at [www.frc.org.uk/apb/scope/private.cfm](http://www.frc.org.uk/apb/scope/private.cfm)

### 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 2010 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;
- the parent company financial statements have been properly prepared in accordance with UK Generally Accepted Accounting Practice;
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

### OPINION ON THE 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.



Chris Hearld (Senior Statutory Auditor)  
For and on behalf of KPMG LLP, Statutory Auditor  
Chartered Accountants

1 The Embankment,  
Neville Street,  
Leeds  
LS1 4DW  
20 April 2011

# CONSOLIDATED FINANCIAL STATEMENTS

## CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2010

In thousands of euros

	Note	2010 Before exceptional items, amortisation and non-cash interest	2010 Exceptional items, amortisation and non-cash interest <sup>(a)</sup>	2010 Total	2009 Before exceptional items, amortisation and non-cash interest (as restated <sup>(b)</sup> )	2009 Exceptional items, amortisation and non-cash interest <sup>(a)</sup> (as restated <sup>(b)</sup> )	2009 Total (as restated <sup>(b)</sup> )
Revenue	4	450,787	-	450,787	416,602	-	416,602
Cost of sales		(344,800)	(3,648)	(348,448)	(301,936)	-	(301,936)
<b>Gross profit</b>		<b>105,987</b>	<b>(3,648)</b>	<b>102,339</b>	<b>114,666</b>	<b>-</b>	<b>114,666</b>
Distribution expenses		(30,557)	-	(30,557)	(26,851)	-	(26,851)
Administrative expenses		(29,933)	(15,097)	(45,030)	(29,721)	(11,554)	(41,275)
<b>Results from operating activities</b>	6	<b>45,497</b>	<b>(18,745)</b>	<b>26,752</b>	<b>58,094</b>	<b>(11,554)</b>	<b>46,540</b>
Finance income		220	1,165	1,385	185	926	1,111
Finance expenses		(13,688)	(26,259)	(39,947)	(10,653)	(27,363)	(38,016)
<b>Net finance costs</b>	10	<b>(13,468)</b>	<b>(25,094)</b>	<b>(38,562)</b>	<b>(10,468)</b>	<b>(26,437)</b>	<b>(36,905)</b>
<b>(Loss)/profit before income tax</b>		<b>32,029</b>	<b>(43,839)</b>	<b>(11,810)</b>	<b>47,626</b>	<b>(37,991)</b>	<b>9,635</b>
Income tax charge	11			(4,729)			(4,018)
<b>(Loss)/profit from continuing operations</b>				<b>(16,539)</b>			<b>5,617</b>
<b>Attributable to:</b>							
Equity holders of the Company				(16,539)			5,363
Non-controlling interests				-			254
<b>(Loss)/profit for the year</b>				<b>(16,539)</b>			<b>5,617</b>

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

Note (b): Restatements from 2009 are cost reallocations and have no impact on the Results from operating activities (see Accounting policies).

The notes on pages 10 to 28 are an integral part of these consolidated financial statements. All operations are continuing.

# CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2010

*In thousands of euros*

	2010	2009
(Loss)/profit for the year	(16,539)	5,617
<b>Other comprehensive income</b>		
Exchange differences on retranslation of foreign operations	6,000	8,728
<b>Total comprehensive (expense)/income for the year</b>	<b>(10,539)</b>	<b>14,345</b>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2010

*In thousands of euros*

	Share capital	Currency translation	Accumulated losses	Total	Non-controlling interests	Total equity
<b>Balance at 1 January 2009</b>	<b>50,886</b>	<b>(40,792)</b>	<b>(77,211)</b>	<b>(67,117)</b>	<b>1,208</b>	<b>(65,909)</b>
<b>Comprehensive income for the year</b>						
Profit for the year	-	-	5,363	5,363	254	5,617
Exchange difference on retranslation of foreign operations	-	8,728	-	8,728	-	8,728
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>8,728</b>	<b>5,363</b>	<b>14,091</b>	<b>254</b>	<b>14,345</b>
<b>Balance at 31 December 2009 and 1 January 2010</b>	<b>50,886</b>	<b>(32,064)</b>	<b>(71,848)</b>	<b>(53,026)</b>	<b>1,462</b>	<b>(51,564)</b>
<b>Comprehensive expense for the year</b>						
Loss for the year	-	-	(16,539)	(16,539)	-	(16,539)
Exchange difference on retranslation of foreign operations	-	6,000	-	6,000	-	6,000
<b>Total comprehensive expense for the year</b>	<b>-</b>	<b>6,000</b>	<b>(16,539)</b>	<b>(10,539)</b>	<b>-</b>	<b>(10,539)</b>
Acquisition of non-controlling interest in controlled subsidiary	-	-	(2,155)	(2,155)	(1,462)	(3,617)
Distributions to parent companies	-	-	(10,874)	(10,874)	-	(10,874)
<b>Balance at 31 December 2010</b>	<b>50,886</b>	<b>(26,064)</b>	<b>(101,416)</b>	<b>(76,594)</b>	<b>-</b>	<b>(76,594)</b>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2010

In thousands of euros

	Note	2010	2009
<b>Non-current assets</b>			
Property, plant and equipment	13	132,746	115,736
Intangible assets	14	266,756	242,590
Deferred tax assets	15	5,517	12,806
<b>Total non-current assets</b>		<b>405,019</b>	<b>371,132</b>
<b>Current assets</b>			
Inventories	16	51,986	41,109
Current tax assets		1,307	911
Trade and other receivables	17	64,700	40,168
Cash and cash equivalents	18	113,932	53,823
		231,925	136,011
Assets classified as held for sale		1,671	-
<b>Total current assets</b>		<b>233,596</b>	<b>136,011</b>
<b>Total assets</b>		<b>638,615</b>	<b>507,143</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Equity share capital	19	50,886	50,886
Currency translation reserve	19	(26,064)	(32,064)
Retained loss	19	(101,416)	(71,848)
Non-controlling interests	19	-	1,462
<b>Total equity</b>		<b>(76,594)</b>	<b>(51,564)</b>
<b>Non-current liabilities</b>			
Financial liabilities	21	608,053	468,262
Deferred tax liabilities	15	32,359	31,127
<b>Total non-current liabilities</b>		<b>640,412</b>	<b>499,389</b>
<b>Current liabilities</b>			
Financial liabilities	21	13,324	9,767
Trade and other payables	23	57,855	43,984
Current tax liabilities		1,915	4,961
Provisions	24	1,703	606
<b>Total current liabilities</b>		<b>74,797</b>	<b>59,318</b>
<b>Total liabilities</b>		<b>715,209</b>	<b>558,707</b>
<b>Total equity and liabilities</b>		<b>638,615</b>	<b>507,143</b>

These financial statements were approved by the Board of Directors on 20 April 2011 and were signed on its behalf by:



J Lambert, Director

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2010

In thousands of euros

	Note	2010	2009
<b>Cash flows from operating activities</b>			
<b>Operating cash flow before changes in working capital and provisions</b>	3	56,645	74,920
Decrease in inventories		11,761	4,679
Decrease in trade and other receivables		4,676	3,743
Decrease in trade and other payables		(20,758)	(4,002)
Increase/(decrease) in provisions		1,097	(93)
<b>Cash generated from operations</b>		<b>53,421</b>	<b>79,247</b>
Interest paid		(9,631)	(10,986)
Income tax paid		(5,143)	(1,307)
<b>Net cash from operating activities</b>		<b>38,647</b>	<b>66,954</b>
<b>Cash flows from investing activities</b>			
Interest received		129	1,111
Proceeds from sale of property, plant and equipment		3,935	373
Acquisition of subsidiary, net of cash acquired	12	(38,832)	-
Acquisition of property, plant and equipment	13	(18,008)	(20,594)
Acquisition of intangible assets	14	(678)	(574)
Disposal of subsidiary		450	-
<b>Net cash used in investing activities</b>		<b>(53,004)</b>	<b>(19,684)</b>
<b>Net cash flow from operating and investing activities</b>		<b>(14,357)</b>	<b>47,270</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of 2017 loan notes	21	350,000	-
Transaction costs related to 2017 loan notes		(10,489)	-
PIK notes repaid to related party	21	(69,567)	(708)
Loan to related party	32	(2,800)	-
Cash flows from settlement of swaps		(4,521)	-
Acquisition of non-controlling interests		(3,617)	-
Repayment of finance lease liabilities		(1,773)	(2,290)
Repayment of factoring facilities		(8,516)	-
Drawdown of bridge facility	21	60,000	-
Repayment of borrowings	21	(229,398)	(7,560)
Dividends paid	32	(7,135)	-
<b>Net cash from financing activities</b>		<b>72,184</b>	<b>(10,558)</b>
<b>Net increase in cash and cash equivalents</b>		<b>57,827</b>	<b>36,712</b>
Cash and cash equivalents at 1 January		53,823	16,345
Effect of exchange rate fluctuations on cash held		2,280	766
<b>Cash and cash equivalents at 31 December</b>	18	<b>113,932</b>	<b>53,823</b>

The notes on pages 10 to 28 are an integral part of these consolidated financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## ACCOUNTING POLICIES

### REPORTING ENTITY

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

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

The consolidated financial statements of the Company as at and for the year ended 31 December 2010 comprise the Company and its subsidiaries (together referred to as the "Group").

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

### STATEMENT OF COMPLIANCE

The Consolidated Financial Statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs). The parent company has elected to prepare its Financial Statements in accordance with UK GAAP. These are presented on pages 29 to 32.

The IFRS accounting policies set out below have been applied consistently unless otherwise stated to all periods presented in these Consolidated Financial Statements. The accounting policies have been prepared on the basis of the requirements of IFRSs in issue and adopted by the EU and effective (or available for early adoption) at 31 December 2010.

Following a review of the Group's accounting policy with respect to the classification of certain expenditure within the Consolidated income statement, a decision has been taken to re-present certain expenditure which had previously been classified as distribution expenses as cost of sales and administrative expenses. This has increased 2009 cost of sales by €15.2 million, increased 2009 administrative expenses by €11.8 million and decreased 2009 distribution expenses by €270 million, having no effect on the reported Result from operating activities. This adjustment has no impact on current period reserves or prior period reserves.

### GOING CONCERN

At 31 December 2010, the Group has consolidated net liabilities of €77 million (2009: €52 million). Net liabilities are typical in private equity backed businesses such as ours largely due to the rolling up of non-cash interest on parent company loans, which is not payable until 2110 at the earliest. During the year the business undertook a major refinancing, securing loan notes providing absolute certainty over future interest charges until 2017. The Directors believe that the rates are competitive and reduce the exposure of the business to increases in interest rates for the medium term to almost zero. This gives the Board further comfort as to the going concern status, understanding the related cash requirements and the lack of additional unknown risk.

The Directors have considered this position, together with the Group's budgets and positive net current assets position, and after making appropriate enquiries, the Directors consider that the Group has adequate resources to continue in operational existence for the foreseeable future and therefore continue to adopt the Group going concern basis for the preparation of the financial statements.

### BASIS OF MEASUREMENT

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

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

### USE OF ESTIMATES AND JUDGMENTS

The preparation of financial statements in conformity with IFRSs requires

management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other judgments reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from those estimates.

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

- Note 12 - Acquisitions of subsidiaries.
- Note 14 - Intangible assets.
- Note 24 - Provisions.

### ADOPTION OF NEW AND REVISED STANDARDS

#### Business combinations

The Group has adopted the revised versions of IFRS 3 Business Combinations and IAS 27 Consolidated and Separate Financial Statements with effect from 1 January 2010. The standards apply prospectively to all business combinations executed from that date. Business combinations executed prior to that date, and the resolution of related issues, are dealt with under the preceding version of the standards as previously applied by the Group.

The revised standards introduce changes in a number of areas, including the requirement to recognise changes in contingent consideration in the income statement rather than as an adjustment to goodwill; the requirement to recognise contingent liabilities at fair value; and the requirement to expense acquisition costs as incurred rather than treating them as part of the cost of acquisition.

#### Operating segments

The Group has adopted IFRS 8 Operating Segments for the first time in these results for the year ended 31 December 2010. In accordance with the provisions of IFRS 8 Operating Segments, the operating segments used to present segment information were identified on the basis of internal reports used by the Management Board of the Group to allocate resources to the segments and assess their performance. The Management Board of the Group is the Group's chief operating decision maker within the meaning of IFRS 8. The geographical territories in which we operate form the basis of identifying the segments to be reported, except that the newly acquired Rolland business is currently reported as a separate operating segment for internal reporting purposes. The implementation has resulted in additional disclosures in the notes (see note 2).

#### Other standards and interpretations

The following accounting standards, interpretations and amendments, issued by the IASB or IFRIC, have been adopted by the Group with no significant impact on its consolidated results or financial position:

- IFRIC 19 - Extinguishing Financial Liabilities with Equity Instruments.
- Amendment to IFRS 2 - Share based payment: vesting conditions and cancellations.

The following standards, interpretations and amendments, issued by the IASB or IFRIC and endorsed by the EU, unless otherwise stated, have not yet been adopted by the Group. The Directors do not expect that the adoption of these Standards and Interpretations will have a material impact on the financial statements of the Group.

- IFRIC 14 - Limit on a Defined Benefit Asset (effective for annual periods beginning on or after 1 January 2011).

- Amendment to IFRS 7 - Improving disclosures about financial instruments.
- IFRS 9 - Financial instruments.
- Amendment to IAS 12 - Recovery of underlying assets.

## BASIS OF CONSOLIDATION

### Subsidiaries

The consolidated financial statements include the financial statements of the Company and its subsidiaries up to 31 December each year. The results of the subsidiaries acquired or disposed of during the year, are included in the consolidated financial statements from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

### Acquisitions on or after 1 January 2010

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

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

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss. The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss. Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred. Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

When share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards) and relate to past services, then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based value of the replacement awards compared with the market-based value of the acquiree's awards and the extent to which the replacement awards relate to past and/or future service.

### Acquisitions from entities under common control

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Group are accounted for as if the acquisition had occurred at the date that common control was established. The Group has a policy of applying book value accounting using the book value of the Transferor.

The acquisition of Soparo SAS was accounted for under this method in 2010. The Soparo SAS sub-group was acquired on 25 June 2010 by R&R Rolland

France SAS, a company owned by R&R Ice Cream Sarl, before R&R Rolland France SAS was transferred to R&R Holdings France SAS (94%) and R&R Ice Cream plc (6%) on 5 November 2010 for a total cash consideration of €1. R&R Holdings France SAS is a subsidiary company of R&R Ice Cream plc.

The consolidated financial statements are therefore presented as if R&R Ice Cream plc had been the parent Company of the Group throughout the period of R&R Rolland France SAS's ownership of Soparo SAS.

### FOREIGN CURRENCY

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

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

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

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

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

### OTHER ACCOUNTING POLICIES

#### Revenue

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

#### Taxation

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(CONT.)

## ACCOUNTING POLICIES (CONT.)

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

### Employee benefits

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

### Share based payments

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

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

### Property, plant and equipment

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

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

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

### Leased assets

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

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

## INTANGIBLE ASSETS

### Other intangible assets

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

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

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

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

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

Internally generated brands are not held on the balance sheet.

Acquired brands are initially valued using discounted cash flow models. No amortisation on UK brands is charged as the Group believes that the value of those brands is maintained indefinitely. Brands are tested annually for impairment. Acquired software licences and software developed in house are capitalised on the basis of the costs incurred to acquire and bring into use the specific software.

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

### Impairment

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

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

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

Impairment losses recognised in respect of cash-generating units (not relating to other intangible assets specifically) are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units and then, to reduce the carrying amount of the other assets in the unit on a pro rata basis. A cash-generating unit is the group of assets identified on acquisition that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

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

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

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

#### **Inventories**

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

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

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

#### **Cash and cash equivalents**

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

#### **Non-current assets held for sale and discontinued operations**

A non-current asset or a group of assets containing a non-current asset (a disposal group) is classified as held for sale if its carrying amount will be recovered principally through sale rather than through continuing use, it is available for immediate sale and sale is highly probable within one year.

On initial classification as held for sale, non-current assets and disposal groups are measured at the lower of previous carrying amount and fair value less costs to sell with any adjustments taken to profit or loss. The same applies to gains and losses on subsequent remeasurement although gains are not recognised in excess of any cumulative impairment loss. Any impairment loss on a disposal group is first allocated to goodwill, and then to remaining assets and liabilities on pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets and investment property, which continue to be measured in accordance with the Group's accounting policies.

#### **Bank and other borrowing**

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

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

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

#### **Provisions**

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

## **NON-IFRS MEASURES**

### **Exceptional items**

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

### **EBITDA and adjusted EBITDA**

Management uses EBITDA and Adjusted EBITDA to monitor the ongoing performance of the Group. We define EBITDA as earnings before interest charges, taxation, depreciation and amortisation. Adjusted EBITDA also excludes any other exceptional items and OCM management charges.

## **FAIR VALUES**

### **Determination of fair values**

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

#### **Property, plant and equipment**

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

#### **Intangible assets**

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

#### **Inventories**

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

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

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

#### **Financial instruments**

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

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(CONT.)

## 01. EXCEPTIONAL ITEMS, AMORTISATION AND NON-CASH INTEREST

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

<i>In thousands of euros</i>	2010	2009
Exceptional operating items		
- impairment of brands (note 14)	(567)	(1,523)
- impairment of property, plant and equipment (note 13)	(1,914)	-
- other exceptional items	(6,747)	-
Total operating exceptional items (note 8)	<u>(9,228)</u>	<u>(1,523)</u>
Exceptional cash finance costs		
- fees relating to voluntary debt prepayments (note 10)	(1,002)	-
- interest accrued and paid to parent undertakings	(4,359)	-
Accrued but unpaid interest to parent undertakings	(20,703)	(26,476)
Amortisation of intangibles (note 14)	(9,517)	(10,031)
Non-cash net foreign exchange gain	565	695
Non-cash movement in fair value of derivatives	405	(656)
	<u>(43,839)</u>	<u>(37,991)</u>

## 02. OPERATING SEGMENTS

The results of the Group under the key management reporting segments as reported to the Management Board of the Group are as follows:

<i>In thousands of euros</i>	2010	2009
Revenue		
UK	156,945	169,117
Germany/Poland	209,841	218,248
France	38,333	40,664
Rolland	50,466	-
Intra-group	(4,252)	(5,488)
Sub-total as reported to management	<u>451,333</u>	<u>422,541</u>
Reconciling items <sup>(1)</sup>	(546)	(5,939)
	<u>450,787</u>	<u>416,602</u>
Adjusted EBITDA		
UK	29,662	33,670
Germany/Poland	31,049	39,618
France	1,300	2,744
Rolland	2,458	-
Central costs - OCM management fees and expenses	(504)	(508)
Sub-total as reported to management	<u>63,965</u>	<u>75,524</u>
Reconciling items <sup>(2)</sup>	(69)	(96)
	<u>63,896</u>	<u>75,428</u>

Note (1): Reconciling items principally include the impact of translating the results of subsidiaries in currencies other than EUR (GBP and PLN) to the average rate for the year under IFRS, rather than the budgeted exchange rate used in the management accounts.

Note (2): Reconciling items principally include the impact of translating the results of subsidiaries in currencies other than the Euro (Sterling and Zloty) to the average rate for the year in the IFRS figures, rather than the budgeted exchange rate used in the management accounts. In the prior period, reconciling items also include EBITDA attributable to non controlling interests, not shown within EBITDA in the management accounts.

The performance reported above for Rolland is only a part year. Management believes that Rolland's full year 2010 revenues were circa €103 million and Adjusted EBITDA was €6.6 million.

Refer to note 3 for a reconciliation of Profit for the year to Adjusted EBITDA. All exceptional items disclosed in that note relate to the Germany/Poland operating segment with the exception of the €2.8 million

professional fees in respect of acquisitions, €2.6 million of which was attributable to the Rolland operating segment and €0.2 million of which was attributable to Central costs.

All reportable segments deal in the production and sale of ice cream and frozen confectionery. Transactions between reportable segments include trading transactions, management recharges and interest recharges. These are accounted for on an arm's length basis.

## 03. PROFIT FOR THE YEAR RECONCILIATION TO ADJUSTED EBITDA

<i>In thousands of euros</i>	Note	2010	2009
(Loss)/profit for the year		(16,539)	5,617
Adjustments for:			
Depreciation of property, plant and equipment	13	17,685	15,997
Amortisation of intangible assets	14	9,517	10,031
Net finance costs	10	38,562	36,905
Taxation	11	4,729	4,018
		<u>53,954</u>	<u>72,568</u>

Adjustments for:

Loss on disposal of property, plant and equipment		210	829
Impairment of property, plant and equipment	13	1,914	-
Impairment of intangible assets	14	567	1,523
<b>Operating cash flow before changes in working capital and provisions</b>		<u>56,645</u>	<u>74,920</u>

Adjustments for:

Closure of Strückhausen		3,758	-
Professional fees in respect of acquisitions		2,764	-
Cessation of business with French Agent		225	-
OCM management fees		504	508
<b>Adjusted EBITDA</b>		<u>63,896</u>	<u>75,428</u>

## 04. GEOGRAPHICAL ANALYSIS

### Revenue

Sales represent the sale of ice cream across the Group. There are no other significant categories of revenue. The table below shows the revenue relating to the geographical location of the customer.

<i>In thousands of euros</i>	2010	2009
UK	158,562	161,889
Germany	146,730	157,134
France	68,146	33,192
Poland	14,572	11,586
Spain	12,710	8,102
Italy	8,317	11,989
Ireland	7,858	5,778
Europe other	27,788	23,804
Other	6,104	3,128
	<u>450,787</u>	<u>416,602</u>

Transactions with our largest customer represent 12% of total revenue. This customer is serviced out of the Germany/Poland operating segment.

**Non-current assets**

The table below shows the geographic location of non-current assets other than financial instruments, deferred tax assets, post-employment benefit assets and risks arising from insurance contracts.

<i>In thousands of euros</i>	2010	2009
UK	228,167	227,569
Germany	88,226	98,039
France	62,697	12,383
Poland	20,412	20,335
	<u>399,502</u>	<u>358,326</u>

**05. INCOME STATEMENTS OF ENTITIES ACQUIRED IN THE YEAR**

The results of the individual entities acquired in the year which have been recognised in the income statement are as follows:

<i>In thousands of euros</i>	Rolland Before exceptional items amortisation and non-cash interest	Rolland Exceptional items, amortisation and non-cash interest	Total acquired
Revenue	51,096	-	51,096
Cost of sales	(44,994)	-	(44,994)
<b>Gross profit</b>	<b>6,102</b>	<b>-</b>	<b>6,102</b>
Distribution expenses	(3,540)	-	(3,540)
Administrative expenses	(1,868)	(2,615)	(4,483)
<b>Results from operating activities</b>	<b>694</b>	<b>(2,615)</b>	<b>(1,921)</b>

The acquisition is described in note 12.

**06. RESULTS FROM OPERATING ACTIVITIES**

This is stated after charging/(crediting):

<i>In thousands of euros</i>	Recurring	Non-cash interest	Exceptional (Note 8)	2010	2009
Depreciation of property, plant and equipment:					
- owned assets (note 13)	16,889	-	1,914	18,803	12,994
- assets held under finance leases (note 13)	796	-	-	796	3,003
Amortisation of intangible assets (note 14)	9,507	-	567	10,074	11,554
Operating lease charges	1,746	-	-	1,746	854
Other exceptional costs (note 1)	-	-	6,747	6,747	-
Research and development costs	2,775	-	-	2,775	2,119
Net foreign exchange gain (note 10)	-	(565)	-	(565)	(695)
	<u>31,713</u>	<u>(565)</u>	<u>9,228</u>	<u>40,376</u>	<u>29,829</u>

**07. AUDITORS' REMUNERATION**

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

<i>In thousands of euros</i>	2010	2009
Fees payable to the Company's auditors for the audit of the Company's annual accounts	35	33
Fees payable to the Company's auditors and its associates for other services:		
The audit of the Company's subsidiaries, pursuant to legislation	244	207
Tax services	43	80
Services relating to corporate finance transactions	354	-

**08. EXCEPTIONAL ITEMS**

Recognised in arriving at results from operating activities

<i>In thousands of euros</i>	2010	2009 (as restated)
Closure of Strückhausen	(3,648)	-
Total cost of sales exceptional items	<u>(3,648)</u>	<u>-</u>
Professional fees in respect of acquisitions	(2,764)	-
Impairment of property, plant and equipment	(1,914)	-
Impairment of brands	(567)	(1,523)
Closure of Strückhausen	(110)	-
Cessation of business with French agent	(225)	-
Total administrative costs exceptional items	<u>(5,580)</u>	<u>(1,523)</u>
Total exceptional items	<u>(9,228)</u>	<u>(1,523)</u>

**Closure of Strückhausen**

Management took the decision to cease production at Nord EIS - die Eisprofit GmbH, Strückhausen, with effect from 1 October 2010 with the production being transferred to R&R Ice Cream Deutschland GmbH. The exceptional cost reflects the cost of closure, including contract termination costs, professional fees and employee termination benefits.

**Professional fees in respect of acquisitions**

This represents due diligence expenses and other professional fees in respect of acquisitions, whether successful or unsuccessful, and related Group restructurings.

**Impairment of property, plant and equipment**

This represents the mark down to realisable value of the Haltern facility which ceased production in 2009.

**Impairment of brands**

This relates to the impairment of the Schatztruhe brand in Germany (2009: Botterbloom, Schatztruhe and Nasch). In the prior year this was reported within cost of sales and has been re-presented within administrative costs (see Accounting Policies).

**Cessation of business with French agent**

This relates to costs incurred on termination of the business relationship with a French distribution agent who had formerly provided services to the business.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(CONT.)

## 09. STAFF COSTS AND DIRECTORS' EMOLUMENTS

Staff costs <i>In thousands of euros</i>	2010	2009
Wages and salaries	55,641	49,006
Social security contributions	11,082	8,158
Other pension costs	252	524
	<u>66,975</u>	<u>57,688</u>

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

	2010 No.	2009 No.
Production	1,626	1,388
Sales, Marketing and Distribution	228	191
Administrative and Other	302	316
	<u>2,156</u>	<u>1,895</u>

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

	2010 No.	2009 No.
UK	612	637
Germany	525	603
France	623	134
Poland	250	241
	<u>2,010</u>	<u>1,615</u>

Directors' remuneration <i>In thousands of euros</i>	2010	2009
Directors' remuneration	521	1,123
Aggregate contributions to defined contribution pension schemes	42	43

The aggregate remuneration of the highest paid Director was €0.4 million (2009: €0.5 million).

Throughout the year, 1 Director (2009: 2) accrued benefits under defined contribution schemes.

## 10. FINANCE INCOME & EXPENSE

<i>In thousands of euros</i>	2010	2009
<b>Finance income</b>		
Interest income on bank deposits	220	185
Gain on derivative financial instrument (non-cash)	405	-
Net foreign exchange gain	760	926
	<u>1,385</u>	<u>1,111</u>

### Finance expense

Accrued but unpaid interest to parent undertakings	(20,703)	(26,476)
Interest expense on bank overdrafts and loans	(8,867)	(10,486)
Interest expense on 2017 loan notes	(4,497)	-
Interest accrued and paid to parent undertakings	(4,359)	-
Fees relating to voluntary debt undertakings	(1,002)	-
Amortisation of transaction costs	(301)	-
Net foreign exchange loss	(195)	(231)
Interest on obligations under finance leases	(23)	(167)
Loss on derivative financial instrument (non-cash)	-	(656)
	<u>(39,947)</u>	<u>(38,016)</u>

<b>Net finance income and expense</b>	<u>(38,562)</u>	<u>(36,905)</u>
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## 11. INCOME TAX EXPENSE IN THE INCOME STATEMENT

<i>In thousands of euros</i>	2010	2009
<b>Current tax charge</b>		
Current period	1,481	3,038
Adjustments for prior years	245	970
Total current tax charge	<u>1,726</u>	<u>4,008</u>

### Deferred tax charge

Origination and reversal of temporary differences	2,647	947
Adjustments for prior years	356	(937)
Total deferred tax charge (note 15)	<u>3,003</u>	<u>10</u>

<b>Total income tax charge</b>	<u>4,729</u>	<u>4,018</u>
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**11. INCOME TAX EXPENSE IN THE INCOME STATEMENT (cont.)****Reconciliation of effective tax rate***In thousands of euros*

		2010	2009
(Loss)/profit for the year before income tax		(11,810)	9,635
Total income tax using domestic corporation tax rate	(28%)	(3,307)	2,698
Non deductible expenses	20%	2,365	3,688
Write off of deferred tax asset (ATCA)	23%	2,676	-
Impact of change of tax rate on deferred tax	(6%)	(734)	-
Losses not recognised/(recognised) in deferred tax provision	28%	3,318	(2,767)
Difference between local tax rates and UK standard rate	(2%)	(190)	366
Under recovery in prior years			
- current tax	2%	245	970
Under/(over) recovery in prior years			
- deferred tax	3%	356	(937)
	40%	4,729	4,018

The write off of deferred tax asset relates to the loss of a future tax benefit in respect of accrued but unpaid interest on the PIK loans, the benefit of which was lost when the PIK loans were novated to New R&R Ice Cream Limited (see note 21). The losses not recognised in deferred tax provision principally relates to the loss of deferred tax assets in Germany, the benefits of which were lost when change of control provisions were triggered on introduction of a new parent company to the Group.

In the budget on 23 March 2011, it was announced that the UK corporation tax rate will reduce from 28% to 23% over a period of four years from 2011. The first reduction in the UK corporation tax rate from 28% to 26% will be effective from 1 April 2011. As the deferred tax assets and liabilities should be recognised based on the corporation tax rates substantively enacted at the balance sheet date, a 27% deferred tax rate remains appropriate for the current year.

**12. ACQUISITIONS OF SUBSIDIARIES****Business combination - Rolland**

On 25 June 2010 R&R Rolland France SAS, which at the time was a direct subsidiary of R&R Ice Cream Sarl, a parent undertaking of R&R Ice Cream plc, acquired 100% of the ordinary share capital of Soparo SAS for a cash consideration of €40 million, giving rise to goodwill, intangible assets and deferred tax liabilities of €25.1 million. Soparo SAS is the parent company of the Rolland Group, an ice cream manufacturer based in France.

On 5 November 2010, R&R Ice Cream Sarl transferred 100% of the ordinary shares of R&R Rolland France SAS to the R&R Ice Cream plc Group for a cash consideration of €1.

The consolidated financial statements are therefore presented as if R&R Ice Cream plc had been the parent Company of the Soparo SAS sub-Group throughout the period of R&R Rolland France SAS's ownership of Soparo SAS. The investment has been recorded in the books of R&R Ice Cream plc at the same value it was held in the accounts of R&R Ice Cream Sarl with the same level of goodwill recognised in the consolidated financial statements.

This means the current year income statement includes 6 months of results of Soparo SAS. In the six months to December 2010, Soparo SAS and its subsidiaries contributed €50.5 million to the consolidated 2010 revenues of the Group and €2.4 million to consolidated 2010 Adjusted EBITDA. If the acquisition had occurred on 1 January 2010, management estimates that consolidated revenues of the Group would have been €502.3 million and consolidated Adjusted EBITDA would have been €68.8 million. In determining these estimates, management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2010. The acquisition had the following effect on the Group assets and liabilities at acquisition date.

<i>In thousands of euros</i>	Pre-acquisition carrying amounts	Fair value Adjustments	Fair values on Acquisition
Property, plant and equipment	23,040	-	23,040
Other intangible assets	449	6,581	7,030
Inventories	21,998	-	21,998
Trade and other receivables	27,935	-	27,935
Cash and cash equivalents	1,168	-	1,168
Non-current financial liabilities	(3,888)	-	(3,888)
Deferred tax liabilities (note 15)	(2,573)	(2,266)	(4,839)
Current financial liabilities	(17,845)	-	(17,845)
Trade and other payables	(35,351)	-	(35,351)
Net identifiable assets and liabilities	14,933	4,315	19,248
Goodwill on acquisition			20,752
			40,000
Discharged by:			
Cash			40,000
Net cash outflow on acquisition			40,000

These fair values have been determined on a provisional basis. Pre-acquisition carrying amounts were determined based on applicable IFRSs immediately before the acquisition. The values of assets and liabilities recognised on acquisition are their estimated fair values.

The intangible assets valued above consist of recipes, brands and customer relationships. The valuation methodologies applied by professionals in arriving at these values are as follows:

Recipes - Cost to recreate

Brand - Royalty relief

Customer contract and licence - Multi period excess earnings

The goodwill recognised on the acquisition is attributable mainly to the ability of the Group to win new license agreements and customers in the future as a result of the synergies expected to be achieved from integrating the Company into the Group's existing ice cream business. In addition goodwill represents the skills and technical talent of the acquired business's workforce.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(CONT.)

## 13. PROPERTY, PLANT & EQUIPMENT

*In thousands of euros*

	Land and buildings	Plant and equipment	Under construction	Total
<b>Cost or deemed cost</b>				
Balance at 1 January 2009	53,677	87,583	10,507	151,767
Other additions	3,419	11,101	6,074	20,594
Reclassification of assets under construction	1,303	11,802	(13,105)	-
Transfer to Intangible assets (note 14)	-	-	(54)	(54)
Transfer to assets held for sale	-	97	-	97
Disposals	(294)	(8,625)	(65)	(8,984)
Foreign currency adjustment	1,446	2,727	106	4,279
Balance at 31 December 2009	59,551	104,685	3,463	167,699
Balance at 1 January 2010	59,551	105,685	3,463	167,699
Acquisitions through Business Combinations (note 12)	9,528	13,299	283	23,040
Other additions	4,142	9,075	4,791	18,008
Reclassification of assets under construction	817	6,315	(7,132)	-
Transfer to assets held for sale	(8,782)	(160)	(301)	(9,243)
Disposals	(1,646)	(15,653)	(1,177)	(18,476)
Foreign currency adjustment	883	1,674	17	2,574
Balance at 31 December 2010	64,493	114,807	4,302	183,602
<b>Depreciation and impairment</b>				
Balance at 1 January 2009	7,098	35,953	87	43,138
Depreciation for the year	2,277	13,506	214	15,997
Disposals	(262)	(7,970)	-	(8,232)
Foreign currency adjustment	83	963	14	1,060
Balance at 31 December 2009	9,196	42,452	315	51,963
Balance at 1 January 2010	9,196	42,452	315	51,963
Depreciation for the year	2,762	14,923	-	17,685
Impairments	1,914	-	-	1,914
Transfer to assets held for sale	(7,572)	-	-	(7,572)
Disposals	(268)	(13,527)	(87)	(13,882)
Foreign currency adjustment	70	671	7	748
Balance at 31 December 2010	6,102	44,519	235	50,856

### Carrying amounts

*In thousands of euros*

	Land and buildings	Plant and equipment	Under construction	Total
At 1 January 2009	46,579	51,630	10,420	108,629
At 31 December 2009 and 1 January 2010	50,355	62,233	3,148	115,736
At 31 December 2010	58,391	70,288	4,067	132,746

The net book value of plant and equipment held under finance leases and hire purchase contracts at 31 December 2010 was €6.7 million (2009: €6.4 million). The total depreciation charged in the year relating to these assets is €0.8 million (2009: €3.0 million).

**14. INTANGIBLE ASSETS***In thousands of euros*

	Goodwill	Customer Relationships	Brands & Trademarks	Licences & Recipes	Software	Total
<b>Cost</b>						
Balance at 1 January 2009	126,076	79,546	28,024	35,844	5,571	275,061
Additions	181	-	-	-	393	574
Transfers from P, P & E (note 13)	-	-	-	42	12	54
Foreign currency adjustment	7,424	3,340	59	2,374	12	13,209
Disposals	-	-	-	-	(13)	(13)
Balance at 31 December 2009	133,681	82,886	28,083	38,260	5,975	288,885
Balance at 1 January 2010	133,681	82,886	28,083	38,260	5,975	288,885
Acquisitions through Business Combinations (note 12)	20,752	4,304	681	1,596	449	27,782
Other additions	-	-	-	12	666	678
Foreign currency adjustment	3,572	1,606	28	1,153	10	6,369
Disposals	(112)	-	-	-	(261)	(373)
Balance at 31 December 2010	157,891	88,796	28,793	41,022	6,839	323,341
<b>Amortisation and impairment losses</b>						
Balance at 1 January 2009	-	15,573	8,626	7,043	2,792	34,034
Amortisation for the year	-	5,836	1,093	1,771	1,331	10,031
Impairment in the year	-	-	1,523	-	-	1,523
Disposals	-	-	-	-	(13)	(13)
Foreign currency adjustment	-	400	-	309	11	720
Balance at 31 December 2009	-	21,809	11,242	9,123	4,121	46,295
Balance at 1 January 2010	-	21,809	11,242	9,123	4,121	46,295
Amortisation for the year	-	6,163	998	1,918	438	9,517
Impairment in the year	-	-	567	-	-	567
Disposals	-	-	-	-	(259)	(259)
Foreign currency adjustment	-	260	-	199	6	465
Balance at 31 December 2010	-	28,232	12,807	11,240	4,306	56,585
<b>Carrying amounts</b>						
<i>In thousands of euros</i>						
	Goodwill	Customer Relationships	Brands & Trademarks	Licences & Recipes	Software	Total
At 1 January 2009	126,074	63,973	19,399	28,802	2,779	241,027
At 31 December 2009 and 1 January 2010	133,681	61,077	16,842	29,138	1,854	242,590
At 31 December 2010	157,891	60,564	15,986	29,782	2,533	266,756

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(CONT.)

## 14. INTANGIBLE ASSETS (cont.)

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

### Amortisation and impairment of intangible assets charge

The amortisation and impairment of intangible assets charge is recognised with administrative expenses. In the prior year, certain of these charges were included within costs of sales and distribution expenses (see Accounting Policies).

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

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

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

*In thousands of euros*

	Discount factor		Carrying amount	
	2010	2009	2010	2009
R&R Ice Cream - UK	10.9%	9.8%	114,311	110,740
Rolland - France	8.9%	n/a	20,752	-
R&R Ice Cream - Germany/Poland	11.3%	8.1%	18,367	18,480
R&R Ice Cream - France	11.3%	10.0%	4,461	4,461
Total			<u>157,891</u>	<u>133,681</u>

The goodwill allocated to each business unit has been assessed by independent valuation experts as part of the purchase price allocation exercise and tested for impairment by management in the current year. The assessment was performed on a value in use basis using the weighted average cost of capital for that country as a discount factor (as shown in the table opposite) and 2011 budget results as approved by the Board and extrapolated forwards using steady growth rate of 2% (2009: 2%) for the next 5 years and 1/2% (2009: 1/2%) into perpetuity which management considers does not exceed long term average growth rates for the markets in which it operates. The key assumptions underpinning these forecasts are based on anticipated revenue and gross margin performance into perpetuity since management believes this gives a true reflection of the anticipated cash flows of the business. Management does not currently believe that any reasonably possible change in the key assumptions on which assessments of recoverable amounts have been based would cause the carrying amount of goodwill to exceed its recoverable amount.

Following an impairment review of Germany's intangible brands at 31 December 2010, an impairment was made to brands of €0.6 million (2009: €1.5 million), disclosed within exceptional expenses (see note 8).

**15. DEFERRED TAX ASSETS AND LIABILITIES**

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2010	2009	2010	2009	2010	2009
<i>In thousands of euros</i>						
Property, plant and equipment	137	-	(5,176)	(3,481)	(5,039)	(3,481)
Intangible assets	-	14	(27,026)	(27,184)	(27,026)	(27,170)
Goodwill	-	-	-	(77)	-	(77)
Inventories	100	164	-	(236)	100	(72)
Leased assets	-	-	(56)	(82)	(56)	(82)
Employee benefits	442	29	-	-	442	29
Provisions/accruals	839	369	(20)	(55)	819	314
Tax losses	3,307	5,765	-	-	3,307	5,765
Other items <sup>(1)</sup>	692	6,465	(81)	(12)	611	6,453
Net tax assets/(liabilities)	5,517	12,806	(32,359)	(31,127)	(26,842)	(18,321)

*In thousands of euros*

	At 31	Acquired	Recognised	Foreign	At 31
	December		in income	exchange	December
	2009			movement	2010
Property, plant and equipment	(3,481)	(3,450)	1,992	(100)	(5,039)
Intangible assets	(27,170)	(2,266)	3,070	(660)	(27,026)
Goodwill	(77)	-	80	(3)	-
Inventories	(72)	15	166	(9)	100
Leased assets	(82)	-	26	-	(56)
Employee benefits	29	510	(98)	1	442
Provisions/accruals	314	419	73	13	819
Tax losses	5,765	-	(2,458)	-	3,307
Other items <sup>(1)</sup>	6,453	(67)	(5,854)	79	611
Net tax liabilities	(18,321)	(4,839)	(3,003)	(679)	(26,842)

Note (1): 2009 'Other items' comprised principally loan note interest which we had incurred but for which we had not yet received a tax deduction.

**16. INVENTORIES**

*In thousands of euros*

	2010	2009
Raw materials and consumables	10,492	9,628
Work in progress	375	9
Finished goods	41,119	31,472
	<u>51,986</u>	<u>41,109</u>

The above amounts are stated net of stock provisions.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(CONT.)

## 17. TRADE AND OTHER RECEIVABLES

<i>In thousands of euros</i>	2010	2009
Trade receivables, prepayment, accrued income and other	64,700	39,426
Trade and other receivables due from related parties	-	742
	<u>64,700</u>	<u>40,168</u>

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

<i>In thousands of euros</i>	2010	2009
<b>Provisions against trade receivables</b>		
Opening provision against trade receivables	3,252	3,521
Provision utilised in year	(350)	(331)
Expensed in year	790	1
Foreign currency adjustment	(73)	61
Closing provision for trade receivables	<u>3,619</u>	<u>3,252</u>

Included in the above analysis of receivables are the following amounts which are past due and for which we have not made any specific provision:

<i>In thousands of euros</i>	2010	2009
<b>Past due receivables</b>		
< 1 month overdue	3,857	3,272
1-2 months overdue	596	210
2-3 months overdue	239	(32)
>3 months overdue	317	77
<b>Total overdue receivables</b>	<u>5,009</u>	<u>3,527</u>

Receivables denominated in currencies other than the functional currency comprise €18.0 million (2009: €14.2 million) of receivables denominated in Pounds Sterling, and €0.6 million (2009: €0.4 million) of receivables denominated in Zlotys.

## 18. CASH AND CASH EQUIVALENTS

<i>In thousands of euros</i>	2010	2009
Bank balances	113,932	53,823
Cash and cash equivalents in the statement of cash flows	<u>113,932</u>	<u>53,823</u>

The bank balance includes cash in same day call deposit accounts of €84.0 million (2009: €20.9 million) with an average interest rate of 0.9% (2009: 0.9%).

Cash balances denominated in currencies other than the functional currency comprise €0.3 million (2009: €0.8 million) denominated in Zlotys and €74 million (2009: €29.6 million) denominated in Pounds Sterling.

## 19. RECONCILIATION OF MOVEMENT IN CAPITAL AND RESERVES

<i>In thousands of euros</i>	Equity share capital	Currency translation reserve	Accumulated losses	Non-controlling interests	Total
Balance at 1 January 2010	50,886	(32,064)	(71,848)	1,462	(51,564)
Exchange difference on retranslation of foreign operations	-	6,000	-	-	6,000
Acquisition of non-controlling interests	-	-	(2,155)	(1,462)	(3,617)
Distributions to parent undertakings	-	-	(10,874)	-	(10,874)
Loss for the year	-	-	(16,539)	-	(16,539)
Balance at 31 December 2010	<u>50,886</u>	<u>(26,064)</u>	<u>(101,416)</u>	<u>-</u>	<u>(76,594)</u>

### Currency translation reserve

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

### Non-controlling interests

Non-controlling interests represent the share of the Group's net assets attributable to the non-controlling shareholders of its subsidiaries. On 4 January 2010, the Group acquired the remaining 25% of Kelly's of Cornwall Limited, the only non-controlling interest in the Group, and so the non-controlling interest reserve has been realised.

### Distributions to parent undertakings

During the year the Group made the following distributions to its parent undertakings:

- On 5 November 2010, R&R Ice Cream plc paid dividends of €71 million to New R&R Ice Cream Limited, the immediate parent undertaking.
- On 5 November 2010, R&R Ice Cream plc waived a loan due from OCM Luxembourg POF III Sarl, a parent undertaking, of €0.8 million.
- On 5 November 2010, R&R Ice Cream UK Limited waived a loan due from R&R Ice Cream Sarl, a parent undertaking, comprising €2.8 million of capital and €0.1 million of interest.

## 20. CALLED UP SHARE CAPITAL

<i>In thousands of shares</i>	Issued & fully paid	Authorised
2009 and 2010 - Ordinary €1 shares	50,886	300,000

## 21. FINANCIAL LIABILITIES

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

<i>In thousands of euros</i>	2010	2009
<b>Non-current liabilities</b>		
2017 loan notes	339,144	-
Secured bank loans	-	153,432
Finance lease liabilities (note 22)	3,916	294
Derivative financial instrument	-	5,062
Loans from parent undertakings	264,993	309,474
	<u>608,053</u>	<u>468,262</u>

**21. FINANCIAL LIABILITIES (cont.)**

<b>Current liabilities</b>	<b>2010</b>	<b>2009</b>
Factored borrowings	7,533	-
2017 loan notes accrued interest	4,536	-
Secured bank loans	-	8,842
Current portion of finance lease liabilities (note 22)	1,255	925
	<u>13,324</u>	<u>9,767</u>
<b>Total financial liabilities</b>	<b>632,232</b>	<b>481,131</b>
Less transaction costs	(10,855)	(3,102)
<b>Total secured financial liabilities</b>	<b>621,377</b>	<b>478,029</b>

Transaction costs are being amortised to November 2017, being the date of maturity for the debt issued. The 2017 loan notes and the 2017 loan notes accrued interest are stated net of transaction costs.

**Terms and debt repayment schedule**

Terms and conditions of outstanding loans were as follows:

**2010**

*In thousands of euros*

	Currency	Interest Rate	Year of Maturity	31 Dec Carrying amount	Fair Value
Factored Borrowings	Euro	1.29%	n/a	7,533	7,533
2017 loan notes (including interest accrual)	Euro	8.375%	2017	354,535	362,520
Less: transaction costs	Euro	n/a		(10,855)	-
Finance lease liabilities (note 22)	Various	5.0%		5,171	5,171
<b>Total secured</b>				<u>356,384</u>	<u>375,224</u>
Unsecured loan from:					
New R&R Ice Cream Limited ("Subordinated shareholder loan")	Euro	8.92%	2110	264,993	264,993
<b>Total</b>				<u>621,377</u>	<u>640,217</u>

**2009**

*In thousands of euros*

	Currency	Interest Rate	Year of Maturity	31 Dec Carrying amount	Fair Value
Term Loan A	Euro	1.98%	2013	24,662	24,662
Term Loan B	Euro	2.98%	2015	41,642	41,642
Acquisition facility	GBP	2.02%	2015	4,783	4,783
Term Loan A	GBP	2.02%	2013	17,707	17,707
Term Loan B	GBP	3.02%	2015	76,582	76,582
Less: transaction costs	GBP	n/a		(3,102)	-
Derivative financial instruments	Various	n/a		5,062	5,062
Finance lease liabilities (note 22)	Various	5.0%		1,219	1,219
<b>Total secured</b>				<u>168,555</u>	<u>171,657</u>
Unsecured loans from:					
OCM Luxembourg PIKS Series A	Euro	9.00%		166,036	30,069
OCM Luxembourg PIKS Series B	Euro	13.13%		65,183	65,183
OCM Luxembourg Loans	Euro	9.00%		78,255	52,333
<b>Total OCM</b>				<u>309,474</u>	<u>147,585</u>
<b>Total</b>				<u>478,029</u>	<u>319,242</u>

Prior to the refinancing of 5 November 2010, under the banking facilities available to the Group at the time, on 31 March and 30 September each year, the Group was required to make scheduled repayments on its existing syndicated debt facilities. In March 2010 this repayment amounted to €4.5 million (March 2009: €3.1 million) and in September 2010 this repayment amounted to €5.2 million (September 2009: €4.5 million).

On 29 January 2010, the Group also made two voluntary repayments of debt. €12.1 million was paid in respect of existing syndicated debt facilities, and €28.3 million was paid in partial settlement of various loans from its immediate parent, OCM Luxembourg Ice Cream Holdings Sarl.

Ahead of the refinancing (see below), R&R Ice Cream plc transferred the liability on the existing OCM Luxembourg loans to New R&R Ice Cream Ltd in exchange of a new long term loan (the "subordinated shareholder loan") of the same amount.

This instrument accrues compound interest at a fixed rate of 8.92% until the term of the contract expires in 2110, at which point the capital and cumulative interest accrued become payable. Interest on the loan is only payable in cash at our option. Prior to maturity, there are no mandatory put or call rights and there are no mandatory redemption features. Any payments on the loan are subordinated to all other debt claims of R&R Ice Cream plc. Instruments such as these with compound interest and artificially distant repayment dates are common in private equity backed businesses and typically get repaid well before the stated repayment date, such that the effect of the compound interest is fundamentally less than that shown above.

In November 2010, R&R Ice Cream plc offered for sale €350.0 million of 2017 loan notes at a fixed interest rate of 8.375%. The proceeds raised were used principally (i) to satisfy approximately €147.5 million of indebtedness of R&R Ice Cream plc and its subsidiaries under the Group's then existing banking facilities, (ii) to satisfy €60.0 million of indebtedness of R&R Rolland France SAS under its existing banking facilities, (iii) to directly and indirectly partially settle certain parent company debt, via a dividend (€7.1 million) and settlement of the B PIK notes and interest (€41.0 million), and (iv) for the general corporate purposes of the Group. The offer was initially sized at €280 million but the success of the issue and the support of the potential bond holders enabled the Board to increase the offer. Concurrently with the loan notes issue, a new €60.0 million Revolving Credit Facility was entered into with a number of lenders. The refinancing incurred fees of approximately €13 million. These are being amortised to 2015 (in the case of fees in respect of the revolving credit facility) and 2017 (in the case of fees in respect of the 2017 loan notes).

In addition to improving the liquidity of the balance sheet position immediately post-refinancing, the loan note issue also opens up to us the future possibility of raising further new loan capital, should we require it for the corporate purposes of the Group, flexibility that we did not have under the previous syndicated financing regime.

The factoring facility is used to service the working capital requirements of Rolland and is provided on a non-recourse basis. The maximum amount of the facility is a net €14.5 million and is also restricted by the level of debtors we have outstanding on Rolland's trade receivables ledger.

Included within trade and other receivables is a factoring reserve of €7.7 million which, when considered together with the factored borrowings shown above, gives a net factored position of €0.2 million (asset) at 31 December 2010.

**Undrawn facilities**

At 31 December 2010 the Group has €60.0 million of undrawn revolving credit facility facilities available should they be required. There are no significant restrictions on the utilisation of the revolving credit facility.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(CONT.)

## 22. FINANCE LEASE LIABILITIES

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

<i>In thousands of euros</i>	2010	2009
Future minimum payments due:		
Not later than one year	1,255	945
After one year but not more than five years	3,916	295
Less finance charges allocated to future periods	-	(21)
Present value of minimum lease payments	<u>5,171</u>	<u>1,219</u>

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

Not later than one year	1,255	925
After one year but not more than five years	3,916	294
	<u>5,171</u>	<u>1,219</u>

The effective interest rate on finance leases is 5.0% (2009: 5.0%).

## 23. TRADE AND OTHER PAYABLES

<i>In thousands of euros</i>	2010	2009
Trade payables, accrued expenses and other	57,588	43,369
Trade and other payables due to related parties	267	141
Interest payable	-	474
	<u>57,855</u>	<u>43,984</u>

Payables denominated in currencies other than the functional currency comprise €6.3 million of trade payables (2009: €5.1 million), other payables of €1.9 million (2009: €1.5 million), interest payable of €nil (2009: €0.4 million) and accrued expenses of €7.6 million (2009: €10.8 million) all denominated in Pounds Sterling, and €1.0 million (2009: €0.5 million) of trade payables, €1.1 million (2009: €0.7 million) of accrued expenses and €0.7 million (2009: €0.5 million) of other payables, all denominated in Zlotys.

Trade and other payables due to related parties consist of balances due to OCM Luxembourg.

## 24. PROVISIONS

<i>In thousands of euros</i>	Transfer of Strückhausen	Transfer of Haltern	Total
Balance at 1 January 2010	-	606	606
Provisions made during the year	3,515	1,366	4,881
Provisions used during the year	(3,215)	(569)	(3,784)
Balance at 31 December 2010	<u>300</u>	<u>1,403</u>	<u>1,703</u>

### Transfer of Strückhausen

During the year ended 31 December 2010 the Group committed to a plan to transfer one of the production sites in Germany to the other existing site in Germany due to its lack of profitability. Following the announcement of the plan the Group recognised a provision of €3.5 million for expected restructuring costs, including contract termination costs, professional fees and employee termination benefits. Estimated costs were based on the terms of the relevant contracts. The restructuring was still ongoing at 31 December 2010.

### Transfer of Haltern

During the year ended 31 December 2009 the Group committed to a plan to transfer one of the production sites in Germany to the other two existing sites in Germany due to its lack of profitability. The provision included expected restructuring costs, including contract termination costs, professional fees and employee termination benefits. The restructuring was still ongoing at 31 December 2010.

## 25. FINANCIAL INSTRUMENTS

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

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

### Credit risk

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

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

### Interest rate risk

Following the refinancing in November 2010, the majority of the Group's debt is fixed coupon. Consequently there is no longer a significant exposure to interest rates. Short-term receivables and payables are not exposed to interest rate risk.

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

### Foreign currency risk

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

The key such risk is the exposure of entities in the UK which have EUR-denominated debt. To the extent that the GBP:EUR exchange rate fluctuates, the relevant companies will require more or less Sterling to meet their EUR interest and capital obligations.

The Group currently has €97.6 million of EUR denominated debt being serviced by entities with a GBP functional currency. To mitigate this risk, since the year end, the Directors have put in place exchange rate swaps covering 75% of the 2011 EUR requirement by these entities. The remaining 25% does not, in the opinion of the Directors, present a material risk. The Directors have adopted a strategy to monitor this risk on an annual basis.

The UK business has also put in place hedges to mitigate foreign currency exposure on trading. These hedges cover approximately 58% (2009: 29%) of the UK business' Euro requirement for 2011 (2009: 2010). Consequently, the Directors believe that the remaining foreign exchange exposure does not present a material risk in this regard. The net fair value of these hedges at 31 December 2010 was €30 thousand (asset) (2009: €0.1 million liability).

A movement of +/- 10% in the GBP:EUR exchange rate, with all other variables held constant, would result in a €1.4 million movement in the Group's loss before tax and a €11.1 million movement in the Group's equity.

### Capital Management

One of the Group's objectives is to safeguard its ability to continue as a Going Concern providing returns to shareholders, through the optimisation of the debt and equity balance, and to maintain a strong credit rating and headroom. The Group manages its capital structure and makes appropriate decisions in light of the current economic conditions and strategic objectives of the Group. The Group's policy is to budget sufficient headroom in order to maintain compliance with the covenants set out in the revolving credit facility agreement such that any unforeseen circumstances are unlikely to result in a breach of those covenants. Throughout the year, the Group has comfortably complied with this policy.

There has been no change in the objectives, policies or processes with regards to capital management during the years ended 31 December 2010 and 31 December 2009 despite the change in the capital structure.

**25. FINANCIAL INSTRUMENTS (cont.)****Liquidity risk**

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

**Year ended 31 December 2010**

*In thousands of euros*

	Interest Rate	Carrying amount	Total contractual cash flows	Within 1 year	1-2 years	2-3 years	3-5 years	5-10 years	More than 10 years
<b>Fixed rate</b>									
Subordinated shareholder loan	8.92%	(264,993)	(1,340,666,126)	-	-	-	-	-	(1,340,666,126)
2017 loan notes	8.38%	(354,535)	(555,992)	(30,116)	(29,313)	(29,313)	(58,625)	(405,625)	-
Finance lease liabilities	5.00%	(5,171)	(5,435)	(1,163)	(958)	(858)	(1,217)	(1,239)	-
<b>Total fixed rate</b>		<b>(624,699)</b>	<b>(1,341,227,553)</b>	<b>(31,279)</b>	<b>(30,271)</b>	<b>(30,171)</b>	<b>(59,842)</b>	<b>(409,864)</b>	<b>(1,340,666,126)</b>
<b>Floating rate</b>									
Cash		113,932	113,932	113,932	-	-	-	-	-
Factored borrowings		(7,533)	(7,533)	(7,533)	-	-	-	-	-
<b>Total floating rate</b>		<b>106,399</b>	<b>106,399</b>	<b>106,399</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Transaction costs		10,855	-	-	-	-	-	-	-
<b>Total</b>		<b>(507,445)</b>	<b>(1,341,121,154)</b>	<b>75,120</b>	<b>(30,271)</b>	<b>(30,171)</b>	<b>(39,842)</b>	<b>(409,864)</b>	<b>(1,340,666,126)</b>

In January 2010, the Group reimbursed the equivalent of €12.0 million of term loan B (GBP and EUR) and €28.3 million of R&R Ice Cream plc Series B PIKS out of excess cash reserves. The remaining Series B PIKS were settled with the proceeds of the refinancing in November 2010 (see note 21).

**Year ended 31 December 2009**

*In thousands of euros*

	Interest Rate	Carrying amount	Total contractual cash flows	Within 1 year	1-2 years	2-3 years	3-5 years	5-10 years	More than 10 years
<b>Fixed rate</b>									
R&R Ice Cream Ltd PIKS A	9.00%	(166,036)	(8,746,098)	-	-	-	-	-	(8,746,098)
R&R Ice Cream Ltd PIKS B	13.13%	(65,183)	(18,959,019)	-	-	-	-	-	(18,959,019)
Roncadin Holdings GmbH	9.00%	(65,658)	(91,995)	-	-	-	-	(91,995)	-
R&R Holdings France SAS	9.00%	(12,597)	(17,685)	-	-	-	-	(17,685)	-
<b>Total OCM liabilities</b>		<b>(309,474)</b>	<b>(27,814,797)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(109,680)</b>	<b>(27,705,117)</b>
Finance lease liabilities	5.00%	(1,219)	(1,219)	(925)	(222)	(29)	(43)	-	-
<b>Total fixed rate</b>		<b>(310,693)</b>	<b>(27,816,016)</b>	<b>(925)</b>	<b>(222)</b>	<b>(29)</b>	<b>(43)</b>	<b>(109,680)</b>	<b>(27,705,117)</b>
<b>Floating rate</b>									
Cash	0.90%	53,823	53,823	53,823	-	-	-	-	-
Term Loan A	1.98%	(24,662)	(25,688)	(5,401)	(6,121)	(6,661)	(7,505)	-	-
Term Loan A GBP	2.02%	(17,707)	(18,479)	(3,892)	(4,406)	(4,790)	(5,391)	-	-
Term Loan B	2.98%	(41,642)	(47,576)	(1,244)	(1,244)	(1,244)	(23,022)	(20,822)	-
Term Loan B GBP	3.02%	(76,582)	(87,787)	(2,349)	(2,349)	(2,349)	(42,447)	(38,293)	-
Acquisition facility	2.02%	(4,783)	(4,991)	(1,057)	(1,197)	(1,298)	(1,439)	-	-
<b>Total floating rate</b>		<b>(111,553)</b>	<b>(130,698)</b>	<b>39,880</b>	<b>(15,317)</b>	<b>(16,342)</b>	<b>(79,804)</b>	<b>(59,115)</b>	<b>-</b>
Transaction costs		3,102	-	-	-	-	-	-	-
<b>Total</b>		<b>(419,144)</b>	<b>(27,946,714)</b>	<b>38,955</b>	<b>(15,539)</b>	<b>(16,371)</b>	<b>(79,847)</b>	<b>(168,795)</b>	<b>(27,705,117)</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(CONT.)

## 25. FINANCIAL INSTRUMENTS (cont.)

### Fair values of financial assets and financial liabilities

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

<i>In thousands of euros</i>	Book value		Fair value	
	2010	2009	2010	2009
<b>Fixed rate</b>				
Subordinated shareholder loan	(264,993)	-	(264,993)	-
OCM Luxembourg PIKS Series A	-	(166,036)	-	(30,069)
OCM Luxembourg PIKS Series B	-	(65,183)	-	(65,183)
Roncadin Holdings GmbH 9% loan	-	(65,658)	-	(43,895)
R&R Holdings France SAS 9% loan	-	(12,597)	-	(8,438)
Total OCM liabilities	(264,993)	(309,474)	(264,993)	(147,585)
2017 loan notes	(354,535)	-	(362,520)	-
Finance lease liabilities	(5,171)	(1,219)	(5,171)	(1,219)
Total fixed rate	(624,699)	(310,693)	(632,684)	(148,804)
<b>Floating rate</b>				
Cash	113,932	53,823	113,932	53,823
Factored borrowings	(7,533)	-	(7,533)	-
Term Loan A	-	(42,369)	-	(42,369)
Term Loan B	-	(118,224)	-	(118,224)
Acquisition facility	-	(4,783)	-	(4,783)
Total floating rate	106,399	(111,553)	106,399	(111,553)
Transaction costs	10,855	3,102	-	-
Total	(507,445)	(419,144)	(526,285)	(260,357)

In calculating the fair values of the subordinated shareholder loan above the Directors have utilised discounted cash flow techniques using the rate of interest on the most recently arranged tranche of borrowings as an indicator of current market rates for this type of debt. In the case of the 2017 loan notes the fair value has been taken from the observed market value of the listed debt. In the case of the variable rate borrowings the Directors believe that carrying value does not differ materially from fair value and accordingly no separate valuations were performed.

The derivative financial instruments fall into level two of the fair value hierarchy since their valuation is derived from observable market prices.

The fair values of trade and other receivables, trade and other payables and derivatives are the same as the respective book values.

### Summary of financial assets and financial liabilities

*In thousands of euros*

	2010	2009
<b>Fixed rate third party</b>		
Fixed rate third party loans	(354,535)	-
Finance leases	(5,171)	(1,219)
Total fixed rate third party	(359,706)	(1,219)
<b>Floating rate third party</b>		
Cash	113,932	53,823
Loans	(7,533)	(165,376)
Total floating rate third party	106,399	(111,553)
Total third party	(253,307)	(112,772)
<b>Other</b>		
Transaction costs	10,855	3,102
Parent company loans	(264,993)	(309,474)
Total	(507,445)	(419,144)

## 26. CAPITAL COMMITMENTS

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

<i>In thousands of euros</i>	2010	2009
Contracted	4,016	2,870

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

## 27. OPERATING LEASE COMMITMENTS

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

<i>In thousands of euros</i>	Land and Buildings		Other	
	2010	2009	2010	2009
Lease payments:				
Within one year	943	664	1,070	777
Within two to five years	3,188	112	1,324	821
In five years or more	1,205	188	-	1
	5,336	964	2,394	1,599

## 28. CONTINGENT LIABILITIES

From time to time in the normal course of trading, the Group may become subject to claims. The nature of claims means they can take a long time to resolve. It is the Group's policy to investigate claims, and in the event a financial settlement is considered probable and the amount reliably estimable provision is made.

### 29. SHARE-BASED PAYMENTS

In previous years, certain of the Senior Executives and mid-management team of R&R Ice Cream plc had been invited to part take in various share incentive schemes. These entitled the Senior Executives and the mid-management team of R&R Ice Cream plc to purchase shares in OCM Luxembourg Ice Cream SCA, a parent undertaking of R&R Ice Cream plc, and to part-take in the future success of the Group. These shares were paid for up front.

During the year, these shares were transferred to the new parent company of the Group, R&R Ice Cream Sarl. In order to derive any benefit from the shares, the employee must remain an employee of R&R Ice Cream plc for the duration of R&R Ice Cream Sarl's ownership of R&R Ice Cream plc. The other terms of the share schemes remain unchanged. There have been no new grants under the schemes in the current year.

The Group is required to account for these schemes under the recent revisions to IFRS2. Under these revisions, both schemes are treated as equity settled. There are no amounts recognised in the Consolidated income statement in either the current period or the prior period.

### 30. DEFINED CONTRIBUTION PENSION PLAN

The Group operates a defined contribution pension plan. €0.2 million (2009: €0.5 million) was recognised as an expense in the year relating to the plan.

### 31. GROUP ENTITIES

Significant subsidiaries	Principal activity	Country of incorporation	Ownership interest	
			2010	2009
Kelly's of Bodmin Limited <sup>(1)</sup>	See below <sup>(2)</sup>	England and Wales	-	75%
Kelly's of Cornwall Limited <sup>(1)</sup>	See below <sup>(2)</sup>	England and Wales	100%	75%
Nord-Eis die Eisprofis GmbH <sup>(1)</sup>	See below <sup>(2)</sup>	Germany	100%	100%
R&R Ice Cream Deutschland GmbH <sup>(1)</sup>	See below <sup>(2)</sup>	Germany	100%	100%
R&R Ice Cream France SAS <sup>(1)</sup>	See below <sup>(2)</sup>	France	100%	100%
Rolland SAS <sup>(1)</sup>	See below <sup>(2)</sup>	France	100%	-
Paladine SAS <sup>(1)</sup>	See below <sup>(2)</sup>	France	100%	-
R&R Ice Cream UK Limited <sup>(1)</sup>	See below <sup>(2)</sup>	England and Wales	100%	100%
Richmond Foods Limited <sup>(1)</sup>	Holding company	England and Wales	100%	100%
Roncadin Holdings GmbH	Holding company	Germany	100%	100%
R&R Holdings France SAS	Holding company	France	100%	100%
R&R Rolland France SAS <sup>(1)</sup>	Holding company	France	100%	-
Soparo SAS <sup>(1)</sup>	Holding company	France	100%	-
Ruby Acquisitions Limited	Holding company	England and Wales	100%	100%
Schröer Eis GmbH <sup>(1)</sup>	See below <sup>(2)</sup>	Germany	100%	100%
Zielona Budka (Mielec) SpZoo <sup>(1)</sup>	See below <sup>(2)</sup>	Poland	100%	100%

Note (1): These entities are held indirectly.

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

The above ownership interests are all Ordinary shares.

All controlled entities in the table above have been included in the Group consolidation.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(CONT.)

## 32. RELATED PARTIES

### Parent and ultimate controlling party

At 31 December 2010, the immediate parent company of R&R Ice Cream plc was New R&R Ice Cream Limited. The ultimate parent company was Oaktree Capital Management LLC, Los Angeles, CA, USA.

### Related party transactions

At the 2009 year end, the Group owed €231.0 million in long term loans, €78.5 million in accrued interest and €0.1 million in respect of unpaid management fees and expenses to OCM Luxembourg Ice Cream Holdings Sarl. The Group was owed €0.7 million in respect of a loan made to OCM Luxembourg POF III Sarl, an affiliated company.

On 29 January 2010, the Group repaid €28.3 million in partial prepayment of long term loans and accrued interest.

Ahead of the refinancing of 5 November 2010 (see note 21), the liability on the existing long term loans was transferred from R&R Ice Cream plc to New R&R Ice Cream Limited in exchange for a new long term loan ('the subordinated shareholder loan') for an equivalent amount of €301.9 million. On 5 November 2010, €41.3 million was paid on the subordinated shareholder loan to New R&R Ice Cream Limited. Additionally, a dividend of €71 million was paid to New R&R Ice Cream Limited, a loan of €2.9 million due from R&R Ice Cream Sarl was waived (€2.8 million capital + €0.1 million of interest), and the loan of €0.8 million owing from OCM Luxembourg POF III Sarl to R&R Ice Cream plc was waived.

In 2010, the Group recognised an expense of €20.7 million in respect of interest accruing to OCM Luxembourg Ice Cream Holdings Sarl (before the refinancing) and €4.4 million in respect of interest accruing to New R&R Ice Cream Limited (after the refinancing), and recognised income of €0.1 million from OCM Luxembourg POF III Sarl.

During the year €16 thousand (2009: €8 thousand) was charged by OCM Luxembourg Ice Cream Holdings Sarl for out of pocket expenses, in addition to a management fee of €0.5 million (2009: €0.5 million).

Therefore, at the 2010 year end, the Group owed €260.6 million in long term loans and €4.4 million in accrued interest to New R&R Ice Cream Limited and €0.3 million in respect of unpaid management fees and expenses to OCM Luxembourg Ice Cream Holdings Sarl. The Group owed €nil in respect of long term loans to OCM Luxembourg Ice Cream Holdings Sarl and was owed €nil in respect of the loan made to OCM Luxembourg POF III Sarl.

Key management personnel compensation comprised:

*In thousands of euros*

Short-term employee benefits

2010 2009

1,186 1,483

Key management personnel are defined as the Group Directors, the Company Secretary and the R&R Operations Director as at 31 December 2010.

R&R ICE CREAM plc  
(formerly R&R Ice Cream Limited)

# COMPANY ONLY ACCOUNTS

31 DECEMBER 2010

# COMPANY ONLY ACCOUNTS

## COMPANY ONLY BALANCE SHEET

As at 31 December 2010

In thousands of euros

	Note	2010	2009
<b>Fixed assets</b>			
Investments	1	255,988	255,986
<b>Current assets</b>			
Debtors			
(includes €318,506 thousand (2009: €5,360 thousand) due after more than one year)	2	321,894	6,102
Cash at bank and in hand		85,792	-
		<u>406,979</u>	<u>6,102</u>
<b>Creditors:</b>			
Amounts falling due within one year	3	(5,816)	(140)
<b>Net current assets</b>		<u>401,870</u>	<u>5,962</u>
<b>Total assets less current liabilities</b>		657,858	261,948
<b>Creditors:</b>			
Amounts falling due after more than one year	4	(605,723)	(226,267)
<b>Net Assets</b>		<u>52,135</u>	<u>35,681</u>
<b>Capital and reserves</b>			
Called up share capital	5	50,886	50,886
Profit and loss account	6	1,249	(15,205)
<b>Total Shareholders' funds</b>	7	<u>52,135</u>	<u>35,681</u>

These financial statements were approved by the Board of Directors on 20 April 2011 and were signed on its behalf by:



J Lambert  
Director

## ACCOUNTING POLICIES

### BASIS OF PREPARATION

The financial statements are prepared in accordance with applicable UK accounting standards and under the historical cost convention. The Company has taken the exemption under s408 of the Companies Act 2006 not to publish the parent company profit and loss account and the Company has taken exemption under FRS 1 not to present a cash flow statement on the grounds that the consolidated financial statements include the Company.

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

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

### GOING CONCERN

At 31 December 2010, the Company has consolidated net liabilities of €52 million (2009: €36 million). During the year the Company undertook a major refinancing, securing loan notes providing absolute certainty over future interest charges until 2017. The Directors believe that the rates are competitive and reduce the exposure of the business to increases in interest rates for the medium term to almost zero. This gives the Board further comfort as to the going concern status, understanding the related cash requirements and the lack of additional unknown risk.

The Directors have considered this position, together with the Company and the Group's budgets and positive net current assets position, and after making appropriate enquiries, the Directors consider that the Company has adequate resources to continue in operational existence for the foreseeable future and therefore continue to adopt the Group going concern basis for the preparation of the financial statements.

### INVESTMENTS

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

### FOREIGN CURRENCIES

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

### LOANS AND BORROWINGS

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

### TAXATION

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

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

# NOTES TO THE COMPANY ONLY ACCOUNTS

## 01. FIXED ASSET INVESTMENTS

	Shares in Group undertakings
<i>In thousands of euros</i>	
<b>Cost</b>	
Balance at 1 January 2010 and 31 December 2010	255,986
<b>Provisions</b>	
Balance at 1 January 2010 and 31 December 2010	-
<b>Net book value</b>	
Balance at 1 January 2010 and 31 December 2010	255,986

The principal subsidiaries are disclosed in note 31 of the Group Consolidated financial statements.

## 02. DEBTORS

	2010	2009
<i>In thousands of euros</i>		
Amounts owed by subsidiary undertakings	319,760	984
Amount owed by other related party	-	742
Deferred tax assets (see below)	-	4,376
Transaction costs	1,844	-
Prepayments and accrued income	215	-
Other debtors	75	-
	<u>321,894</u>	<u>6,102</u>

Included in the above balances are €317.0 million (2009: €1.0 million) of amounts owed by subsidiary undertakings, €nil (2009: €4.4 million) deferred tax assets and €1.5 million (2009: €nil) of transaction costs falling due in more than one year.

The amounts owed by subsidiary undertakings includes:

- €205.4 million of intercompany loans (and €2.7 million of accrued interest) which bear interest at 8.625%, payable twice annually. The capital on these loans is due for repayment in 2017.
- €83.9 million of structural intra-group debt. These loans bear interest at 9% which accrues on a compound basis. The capital and unpaid interest are due for repayment upon the earlier of 31 December 2015 or the occurrence of a disposal or public placement of the relevant subsidiary's share capital.
- Other non-interest bearing operational loans of €27.8 million due from subsidiaries in the same UK tax Group as the Company.

Included in the 2009 Amount owed by other related party was a loan of €0.7 million granted to OCM Luxembourg POF III Sarl, one of the shareholders in the Company's ultimate parent undertaking, plus accrued interest of €34 thousand (see note 6).

There are no amounts of unprovided deferred tax. The amounts provided in the accounts are as follows:

<i>In thousands of euros</i>	2010	2009
Short term timing differences	-	4,376
	<u>-</u>	<u>4,376</u>

## 03. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

<i>In thousands of euros</i>	2010	2009
Interest accrued on 2017 loan notes	4,497	-
Transaction costs	(1,584)	-
Accruals and deferred income	2,637	-
Amounts owed to parent undertakings	266	140
	<u>5,816</u>	<u>140</u>

## 04. CREDITORS: AMOUNTS FALLING AFTER ONE YEAR

<i>In thousands of euros</i>	2010	2009
2017 loan notes	350,000	-
Amounts owed to parent undertakings	264,993	225,738
Transaction costs	(9,270)	-
Amounts owed to subsidiary undertakings	-	529
	<u>605,723</u>	<u>226,267</u>

The 2017 loan notes bear interest at 8.375% per annum, payable twice annually, and are due for repayment on 15 November 2017.

Ahead of the refinancing of 5 November 2010 (see note 21 of the Group accounts), the liability on the existing long term loans was transferred from R&R Ice Cream plc to New R&R Ice Cream Limited in exchange for a new long term loan ('the subordinated shareholder loan') of the same amount. On 5 November 2010, €41.3 million was paid on the subordinated shareholder loan to New R&R Ice Cream Limited.

At 31 December 2010, amounts owed to parent undertakings comprises the capital and accrued interest on this loan. This loan accrues compound interest at a fixed rate of 8.92% until the term of the contract expires in 2110, at which point the capital and cumulative interest accrued become payable. Interest on the loan is only payable in cash at our option. Prior to maturity, there are no mandatory put or call rights and there are no mandatory redemption features. Any payments on the loan are subordinated to all other debt claims of R&R Ice Cream plc.

# NOTES TO THE COMPANY ONLY ACCOUNTS

(CONT.)

## 05. CALLED UP SHARE CAPITAL

<i>In thousands of euros</i>	2010	2009
<b>Authorised</b>		
100 ordinary shares of £1 each		
299,999,900 ordinary shares of €1 each	300,000	300,000
<b>Allotted, called up and fully paid</b>		
50.9 million (2008: 50.9 million) ordinary shares of €1 each	50,886	50,886

## 06. RESERVES

<i>In thousands of euros</i>	Profit and loss account
At 1 January 2010	(15,205)
Dividends paid	(7,983)
Retained profit for the year	24,437
At 31 December 2010	1,249

During the year the Group made the following distributions to its parent undertakings:

- On 5 November 2010, R&R Ice Cream plc paid dividends of €71 million to New R&R Ice Cream Limited, the immediate parent undertaking.
- On 5 November 2010, R&R Ice Cream plc waived a loan due from OCM Luxembourg POF III Sarl, a parent undertaking, of €0.8 million.

## 07. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

<i>In thousands of euros</i>	2010
Profit for the year	24,437
Dividends paid	(7,983)
Net movement in shareholders' funds	16,454
Opening shareholders' funds	35,681
Closing shareholders' funds	52,135

## 08. ULTIMATE PARENT COMPANY

The Company is a subsidiary undertaking of New R&R Ice Cream Limited which is incorporated in England and Wales.

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

# NOTES

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