Company Registration Number: 06279225

# Cucina Acquisition (UK) Limited

## Annual report and financial statements

### For the year ended 31 December 2015

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## Strategic report

This report analyses the performance of Cucina Acquisition (UK) Limited Group, a holding company for Brake Bros Limited ("Brakes") for the financial year ended 31 December 2015.

Cucina Acquisition (UK) Limited is one of four holding companies within the Brakes Group that prepare consolidated accounts. The business commentary and disclosures below are consistent with those included in the consolidated accounts of Cucina Lux Investments Limited, the topmost UK parent company that consolidates the results of the Group.

Brakes Group is a leading European foodservice provider, operating in the UK and Ireland, Continental Europe (as Brakes Continental Europe Division – "BCED") and Sweden.

### Financial highlights

- Total Group turnover grew by 6.5% to £3.3bn (2014: £3.1bn).
  - UK turnover increased by 7.5%, supported by the acquisition of Fresh Direct, completed in February 2015
  - BCED turnover increased by 22.5% on a constant currency basis (10.1% growth reported in sterling), with growth supported by the acquisition of Davigel on 2 November 2015
  - Sweden turnover increased by 11.3% on a constant currency basis (2.6% decline reported in sterling)

- EBITDA[1] grew by 13.9% to £171.1m (2014: £150.2m) and EBITDA margin improved to 5.2% of sales (2014: 4.9%). All three countries delivered growth in profitability, reflecting the benefits that focusing on customers, products and service are bringing.
  - UK reported EBITDA growth of 14.0% to £131.6m (2014: £115.4m)
  - BCED reported EBITDA growth of 24.8% on a constant currency basis (10.6% to £24.0m (2014: £21.7m) reported in sterling)
  - Sweden reported EBITDA growth of 34.9% on a constant currency basis (18.3% to £15.5m (2014: £13.1m) reported in sterling)

- The Group made two acquisitions in the year; Fresh Direct in the UK on 23 February 2015 and Davigel in France on 2 November 2015. Had these acquisitions been included in the Group results from 1 January 2015, full year turnover would have been £3.7bn and EBITDA £184.2m

- Our leverage ratio is continuing to fall in line with our medium term targets.
  - Senior leverage fell to 5.8x in 2015 from 6.5x in 2014

- The business continues to remain strongly cash generative with 112% of FY15 EBITDA converting into cash flow generated from operating activities (2014: 102%).

### 2015 Key successes

1. **Leveraging scale to drive operating efficiencies:** During 2015 the UK business successfully completed its transition to the new multi-temperature network at Bodelwyddan, Hemsworth, Newhouse and Warrington. 23,500 customer units in the UK are now receiving multi-temperature deliveries meaning that approximately one third of UK deliveries are now multi-temperature. The fourth and largest Regional Distribution Centre was opened in Harlow during the year and Harlow's transition to multi-temperature is expected to finish by the end of March 2016. We've begun the preparations for transitioning our Logistics business onto our core SAP IT systems. This work will continue next year as we strive for increasingly efficient, reliable operations right across the business.

   During 2015 we successfully carried out the migration of our IT production systems to the Capgemini Data Centre. This is a major milestone in our IS transformation programme and means we are now provided with a firm foundation on which to build and continue to improve our service stability and performance.

   During 2015, Brakes has continued to step-change its purchasing scale, expertise and insight with buyers working together across six different European markets. This has been done through new buying partnerships as part of our new procurement alliance called Constellation. The aim of Constellation is to create value for Brakes and the other partners by cost saving as well as increasing sales from activity such as improving our product range.

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[1] For a better understanding of the underlying trading performance of the Group, the Directors measure performance against EBITDA (earnings before interest, taxation, depreciation, amortisation, impairment of intangible assets and exceptional items) rather than the pre-tax result.

## Strategic report (continued)

2. **Driving organic growth through industry leading customer experience**: Brakes has continued to provide a high standard of business partnering to its customers in 2015, demonstrating a genuine understanding and appreciation of the realities of running a business with foodservice requirements, whether it be pubs, restaurants, hotels, hospitals, schools, care homes or leisure facilities.

   As a company setting foodservice trends, 2015 saw Brakes working with suppliers and customers to innovate with new products and menu concepts to meet customers' needs. Brakes has quickly turned ideas into reality, focusing on the right choice and quality of products at the best value, with something in its range for all of its customers. In 2015, Brakes introduced over 350 new products to the range and re-developed a further 180 products.

   Brakes new e-Commerce platform in the UK is now live and the Independent customer base is adopting this new online platform. Sales through our online ordering platform were up year on year and by the end of Q1, nearly 80 percent of customers buying on-line said Brakes' e-Commerce offering was meeting their requirements and that it was quick and easy and that they would recommend it.

   Brakes people have also benefited from a continued investment in a wide range of bespoke training programmes being rolled out across the Group's workforce.

3. **Expanding through acquisition:** Brakes Group has completed two acquisitions in 2015;
   a. **Acquisition of Fresh Direct – unlocking future growth in fresh food:** Following on from the announcement made in November 2014 the Group, on 23 February 2015, completed the deal with Fresh Direct, to create a new fresh food company, known as "Fresh Direct". M&J Seafood, Pauleys and Wild Harvest were contributed by the Group and become part of this new Fresh Direct company within the Group.

      Almost one third of Brakes' sales currently come from fresh and chilled food. This acquisition has created an even broader fresh food offer with capability to deliver fresh products six or seven days per week, from dedicated local fresh depots. This new company has the capability to give Brake's customers the additional choice of a daily fresh delivery service from a network of regional specialist depots that meet their specific needs.

      Since its acquisition Fresh Direct has performed positively, in line with expectations. Anticipated purchasing synergies are on track. A new London depot, in Dagenham, has opened and will provide capacity and efficiency opportunities in London and the South East

   b. **Acquisition of Davigel – strengthening our position in France**: On 2 November 2015 the Group completed the acquisition of Davigel from Nestlé. Davigel is a major supplier of chilled and frozen food for the European foodservice market. We have a very strong heritage in France via Brake France, which has operated in the region for the last 23 years and the addition of Davigel further strengthens our position as a major player in France as well as opening up new markets in Belgium, Luxembourg and Spain. Davigel brings to Brakes Group a strong manufacturing expertise. It will continue to operate as standalone business, with the new Brakes Continental Europe Division (BCED) created to oversee the development and strategy of these businesses. The two companies' current organisation, in terms of sales, product offering and distribution, will stay in place to ensure a seamless service for our customers.

4. **Delivered strong cash generation and stability**: The financial position of the Group is strong, with 2015 closing cash balance of £149.7m (2014: £117.7m), committed facilities in place with an average tenure over 3 years, healthy headroom in banking covenants and £230.0m of new Senior bank debt raised during 2015 replacing existing shorter dated bank debt.

### Operational summary and outlook

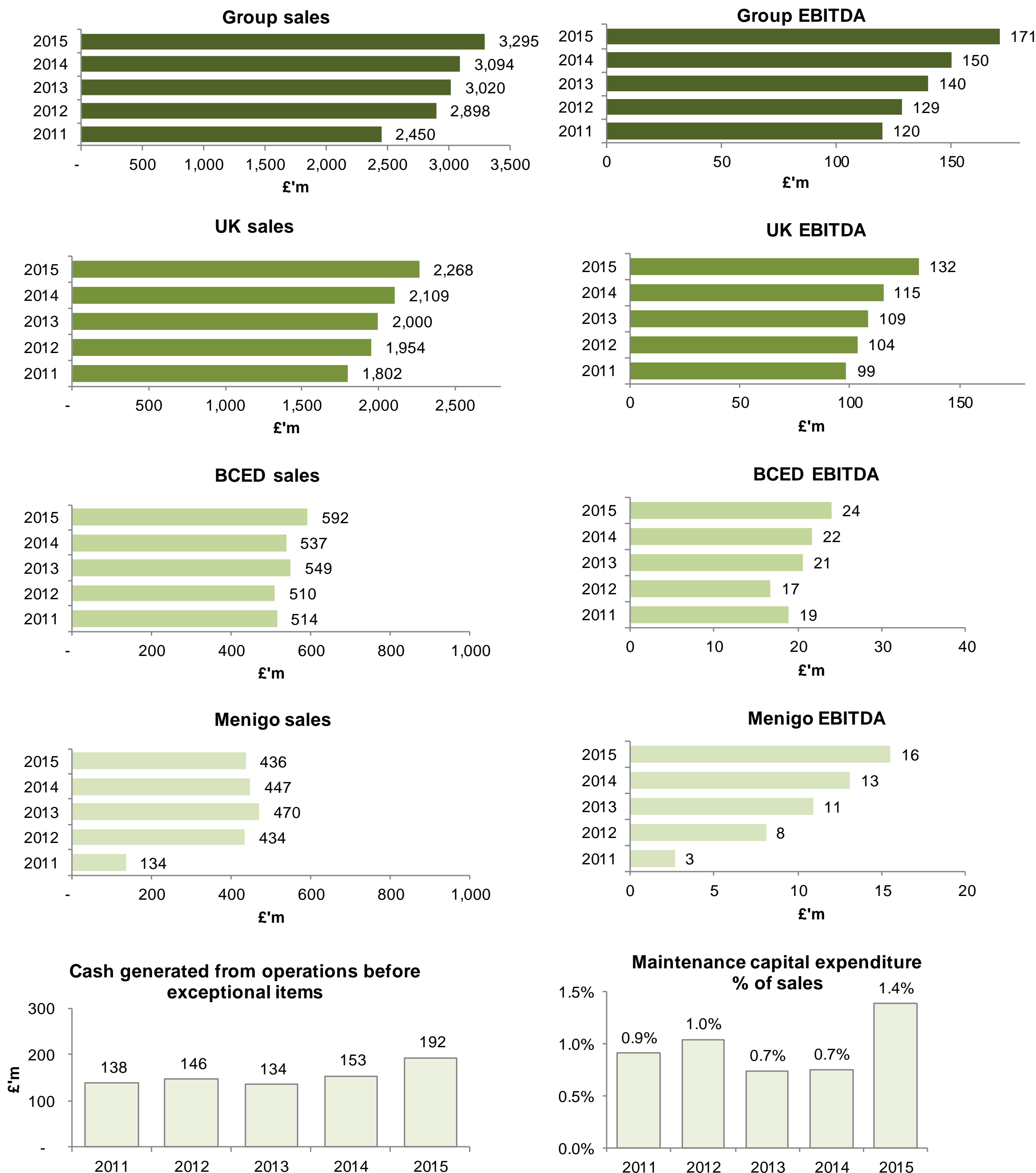
Having successfully delivered the fourth year of its five year strategic plan, Brakes is on track to be a world class foodservice company that is leading the industry's development. Brakes' passion for its customers and focus on meeting its customers' needs is substantiated by its ongoing programme of investment in its people, infrastructure and distribution networks, which will both simplify the business and enhance the outstanding experience it offers. Brakes is further strengthening its foundations to build on its market leadership position. The strategy and approaches to grow in each of the markets in which Brakes operates are covered over the coming pages.

On 22 February 2016 the Bain Capital announced that it had reached a definitive agreement for the sale of the Group to North America's leading foodservice distributor Sysco Corporation. It is expected that transaction will complete by July 2016.

## Strategic report - KPIs

### Key performance indicators (KPIs)

Management monitors progress on the overall group strategy and the individual strategic elements by reference to a number of KPIs. Performance during the year, together with historical trend data is set out below:



## Strategic report - business overview

**Business environment**
The Group operates in the UK, French, Swedish and Irish foodservice distribution markets. Foodservice distribution comprises the supply of food and related products to a wide variety of customers including independent and chain restaurants and pubs, hotels, travel and leisure operators, schools, hospitals and contract caterers. The foodservice distribution industry remains fragmented in all of the Group's geographies, with the top three distributors representing circa 50% of the food market in the UK, the top five companies circa 35% in France and the top four circa 60% in Sweden. Market fundamentals for Brakes remain positive, with long term growth in eating out of home being the primary driver. This in turn is driven by general population growth, growth in single person households, and the increasing number of women working. The immediate economic outlook for the UK, Ireland, France and Sweden is modestly favourable.

**Sources of competitive advantage**
Across the Group, there are well-defined strategies to ensure a continued improvement in the profitability and cash flow performance of the Group. Its sources of competitive advantage include:

*World Class Food expertise:*
Brakes is recognised as the leading food supplier to out-of-home foodservice operators. Brakes has an unmatched range of almost 20,000 lines across all food categories that are specifically selected for caterers across all customer sectors and categories. Within this range Brakes has almost 4,000 own-label products which have been especially formulated for the particular needs of caterers and are routinely benchmarked independently to ensure industry leadership. In 2015, we introduced over 350 new products to the range and re-formulated 180. Brakes also offers customers support in designing menus, costing dishes and communicating nutritional information. Brakes has great expertise within its technical team across a variety of areas covering quality standards, product integrity, supplier management, nutrition and product safety. This activity is key to winning new customers and retaining existing relationships.

*Procurement scale*
Brakes continue to strengthen its collaborative relationships with a worldwide supplier base, leveraging its significant group buying scale. This is crucial in delivering industry leading availability, innovation and value on all categories, Brakes focuses on both its local sourcing skills and global presence to maintain this competitive purchasing position. During 2015, following on from the strategic alliance formed in 2014 with MARR, the market leader in the Italian delivered wholesale market and Kespro the market leader in Finland, Brakes has continued to step-change its purchasing scale, expertise and insight with buyers working together across six different European markets. This has been done through new buying partnerships as part of our new procurement alliance called Constellation. The aim of Constellation is to create value for Brakes and the other partners by cost saving as well as increasing sales from activity such as improving our product range.

*Service excellence*
Brakes places great emphasis on achieving high standards in the area of delivery accuracy and reliability with daily monitoring of performance levels. Brakes has made several enhancements to the processes used for route optimisation and delivery time management and communication to customers. Further enhancements are planned to both process and technology in 2016 to maintain efficiency of its distribution fleet and upgrade its customer communications. New picking processes and technology have been introduced in 2015 in a number of depots improving accuracy.

*Low cost logistics*
The Group operates a continuous improvement culture looking for ongoing cost reduction in all areas, including procurement, distribution, supply chain, labour productivity, fuel consumption and overhead costs. In the UK, its multi-tier distribution network allows it to combine high availability with a low cost to serve. In 2015, two further regional distribution centres (the main hubs in the network) have been converted to multi-temperature operations – this means that 3 RDCs out of 5 and their satellite operations are now integrated into the new network. This will further optimise the distribution network and the continued programme will secure the position as the UK's lowest cost national distributor in foodservice.

*Leading edge corporate, social and environmental responsibility*
Our activities covering corporate, social and environmental responsibility are critical to the way we operate, and are discussed more fully in a later section of this report. Of particular importance is the traceability and provenance of our products. Our suppliers of own brand products are technically approved to a BRC (British Retail Consortium) Global Food Safety or similar standard and our buyers are supported by industry leading technical teams. To support a wide range of options for our customers, we have available many 'higher welfare' products certificated against schemes such as the Marine Stewardship Council for fish and Red Tractor for meat and poultry.

## Strategic report - business overview (continued)

Food Waste Prevention continues to be a critical issue within the catering Industry and the UK. Brakes has further supported the government funded programme “WRAP” (Waste & Resources Action Programme) and worked with their fellow signatories to the Foodservice and Hospitality agreement to prevent food waste and promote recycling within the sector.

Additionally the business again took part in a staff engagement programme with the IGD (Institute of Grocery Distribution) with a view to educating all UK colleagues on food waste prevention within their own homes.

*Employees*
Brakes Group employs over 15,000 dedicated people across the UK and Europe, and their loyalty and passion are a source of strength. As at 31 December 2015 the Group employed 15,048 employees (including 10,921 males and 4,127 females) across 6 countries. The employees include 15 senior managers, of which 14 are males and 1 is female. We are committed to making our organisation ‘a great place to work’ and helping to develop our people to their full potential. Our people should feel valued and respected and know that their views count and will be listened to. We are also committed to providing our people with a safe and stimulating workplace.

**Future outlook and strategy**
Brakes remains committed to working with its customers to develop long term relationships. By understanding its customers needs, making recommendations on how Brakes can help and delivering on its promises, Brakes will be able to further enhance its market leading position. The Group’s commitment to this is demonstrated by its investments in people, infrastructure and its distribution networks, and the business transformation programme now underway will underpin our service to customers and simplify the way we work with suppliers. The underlying characteristics of the foodservice market are attractive and the growth prospects for the foodservice market are starting to become more favourable. Over recent years, Brakes has been making the investments necessary to support growth in this market. The strategy and approaches to growth in each of our markets with a review of 2015 performance are covered by country over the coming pages.

## Strategic report - business overview: UK and Ireland

**About Brakes in the UK**
Brakes' historical core market has been the UK, and this is where Brakes still has the most significant presence today. It employs over 9,000 people in the UK and has a large and diverse product range, enabling it to meet the needs of a wide variety of customers, in both the public and private sector. Across its range of companies Brakes is delivering to Michelin starred restaurants, well-known pub and restaurant chains, schools, prisons, hospitals and a diverse mix of independent pubs and restaurants, all focused on the quality, service, innovation, value and traceability that Brakes is able to bring. Brakes' delivers to over 100,000 customer sites across the UK and this is achieved from its hub and spoke distribution network, which provides efficient and comprehensive national coverage. As a result, Brakes is the leading player in the UK foodservice distribution market.

**Brakes UK strategy**
Brakes UK strategy is to generate significant growth in revenue and profit by building upon its position as the UK's leading foodservice distribution company. In pursuit of this objective, Brakes will focus on:

- Independent customer growth: by leveraging our unrivalled product range efficient national network and competitive commercials, Brakes aims to grow market share. Competitive advantage will be delivered by a highly trained sales team, industry leading marketing and new online capability.

- Corporate business development: our corporate business strategy is to build on our ongoing success in delivering volume growth and operational efficiency to customers. Growth is expected to be driven from new account wins and providing more products to our existing customer base. Continued operational efficiency is being delivered by moving our customers onto the new network and our online ordering platform.

- Development of depot infrastructure: Brakes is now largely through the investment phase of its distribution network development programme. In 2015 Brakes opened its 4th regional distribution centre, located in Harlow. It now has 4 depots which are multi-temperature. The multi-temperature programme has reduced trunking mileage and improved warehouse and secondary distribution productivity in the North and Scotland in 2015. These benefits will grow as the service continues to roll-out throughout 2016.

- Growth in speciality divisions and services; the speciality services from divisions such as M&J Seafood Limited and Freshfayre Limited provide opportunities to grow in different areas of the market. The acquisition agreement with Fresh Direct which completed on 23 February 2015 is particularly important in unlocking and developing new opportunities with customers in the fresh part of the market. Further details of the Fresh Direct acquisition are set out in note 24 to the financial statements.

**Overview of 2015 performance - UK (including Fresh Direct acquisition from 23 February 2015)**

| | 2015<br>£m | 2014<br>£m | Change<br>% |
|---|---|---|---|
| Revenue | 2,267.7 | 2,109.4 | 7.5% |
| Operating profit (before exceptional items) | 54.8 | 38.3 | 43.1% |
| Operating loss (post exceptional items) | (0.5) | (0.1) | 400.0% |
| *Add back:* | | | |
| - exceptional items | 55.3 | 38.4 | 44.0% |
| - depreciation | 30.4 | 24.2 | 25.6% |
| - amortisation | 46.4 | 52.9 | (12.3)% |
| EBITDA | 131.6 | 115.4 | 14.0% |
| EBITDA margin | 5.8% | 5.5% | |

## Strategic report - business overview: UK (and Ireland) (continued)

In 2015 Brakes achieved 7.5% (2014: 5.4%) sales growth from £2,109.4m in 2014 to £2,267.7m in 2015. This increase was primarily supported by the acquisition of Fresh Direct, which added £185.2m to UK total sales. Excluding Fresh Direct, UKsales declined by 1.3%. This small drop in sales is due to a deliberate decision to exit four contracts, where Brakes considered the prices the customer was prepared to pay were not sufficient for the service levels required by the customer.

Brakes has maintained its success in stabilising its margins during 2015, with EBITDA margin increasing from 5.5% of sales in 2014 to 5.8% of sales in 2015. This has been achieved through a focus on both cost and pricing, and delivered at the same time as there has been huge operational change associated with implementing our strategic investment plan. For example, during 2015 the UK successfully completed its transition to the new multi-temperature network at Bodelwyddan Hemsworth, Newhouse, Scotland, and Warrington. A new depot was also opened at Harlow, the third and largest Regional Distribution Centre. Harlow's transition to multi-temperature is expected to finish by the end of March 2016. There is still a significant amount of work required but the journey towards an end to end multi-temperature ordering and delivery on a single system and a single vehicle for the complete UK market is well underway.

Overall, the Fresh Direct acquisition, margin stabilisation and a focus on operational performance has generated EBITDA growth in the UK. EBITDA for 2015 was £131.6m (2014: £115.4m). UK EBITDA margin was 5.8% in 2015 compared to 5.5% in 2014.

UK exceptional costs in 2015 predominantly relate to (i) business change costs incurred primarily on projects delivering fundamental business change and operational restructure; (ii) transaction costs including the Group’s corporate exceptional costs associated with the acquisition of Fresh Direct in the UK and Davigel in France; (iii) restructuring the UK distribution network. These are explained further in the Financial Review.

### Outlook

The fundamental characteristics of the foodservice market are strong with opportunities for growth as the structural shift towards food spend out of home continues. Brakes remains committed to working with its customers to develop long term relationships, and is investing in infrastructure and IT systems to enhance its capabilities to do this. We fundamentally believe that our investment initiatives will enable us to deliver efficiencies, productivity improvements and service enhancements to customers which will help Brakes strengthen and enhance its market leading position in the UK. Our cash flow generation and long term contract wins give us the strength to support this.

## Strategic report - business overview: Brakes Continental Europe Division ("BCED")

**About Brakes Continental Europe Division ("BCED")**
Brakes' has had a presence in France since the 1990s when it began a series of regional acquisitions and created Brake France. Brake France has been steadily growing over the last decade. Today, Brake France employs over 2,000 people and has a range of 4,000 products. Based on a strong historic position on frozen food, Brake France is now developing its portfolio in chilled, dairy and ambient segments to gain new customers and increase market share within existing ones. Brake France's distribution network is well established in its key regions. The French foodservice market is still very fragmented, but there has been some examples of consolidation in 2015. Notably, on 2 November 2015, Brakes group acquired Davigel from Nestle. Davigel will be operated alongside Brake France in Brakes Continental Europe, a new division of the Brakes Group. Davigel adds around 2,900 employees to the Group and will be managed in BCED together with Brake France.

**Brake France strategy**
Brake France's strategy is to generate significant growth in revenue and profit over the next three years by continuing to grow and develop market share. In pursuit of this objective, Brake France will focus on:

- Independent account growth: with its strong reputation for quality and service in France, Brake France has solid foundations to further grow its Independent account base. With tailored marketing plans for key customer segments, Brakes is able to demonstrate how well it understands customer needs. It has supported customers by investing in the sales force in areas of the country where it is currently under represented, and will further improve customer service by rolling out better sales force productivity practice tools.

- Product range development: during recent years, Brake France has rebalanced its portfolio so that it is less reliant on frozen products. Brake France's product range now provides an enhanced offering to its customers, enabling Brake France to improve its ability to grow share of wallet, fill specific gaps in the cost sector and improve the availability of grocery lines nationwide.

- Targeted Corporate and cost sector tender growth: with a highly efficient distribution platform, Brake France experienced strong growth in key accounts and has a clear pipeline of regional and corporate opportunities to target for the future.

- Logistic efficiency; Brake France is implementing projects to further improve distribution efficiency. The projects include initiatives in both warehouse and vehicle productivity.

**Davigel**
The acquisition of Davigel in France is transformational for the Brakes Group. Like Brake France, Davigel mainly operates in the out-of-home foodservice market. Davigel was the fourth largest player in the out-of-home market in France, and has suffered recent declines in sales and profitability. However, several key features of Davigel make it particularly attractive to the Brakes Group:

- Opportunity to increase the Brakes Group's footprint in Continental Europe with new markets (Spain, Belgium and Luxembourg);
- Sales teams with a strong focus and expertise in both product knowledge and professional service;
- Modern and well invested manufacturing platform;
- Purchasing synergies leveraging Brakes' size and Davigel specific know-how;
- Commercial complementary with the Brakes Group in France and potential to develop cross-selling; and
- Premium brands and exclusive distribution of Nestlé and Mövenpick ice creams in France.

### Strategic report - business overview: Brakes Continental Europe Division ("BCED") (continued)

**Overview of 2015 performance - BCED (including Davigel acquisition from 2 November 2015)**

| | 2015 £m | 2014 £m | Change % |
|---|---|---|---|
| Revenue | 591.5 | 537.4 | 10.1% |
| Operating profit (before exceptional items) | 10.1 | 8.0 | 26.3% |
| Operating profit (post exceptional items) | 7.7 | 7.3 | 5.5% |
| *Add back:* | | | |
| - exceptional items | 2.4 | 0.7 | 242.9% |
| - depreciation | 9.8 | 8.7 | 12.6% |
| - amortisation | 4.1 | 5.0 | (18.0)% |
| EBITDA | 24.0 | 21.7 | 10.6% |
| EBITDA margin | 4.1% | 4.0% | |

In 2015 BCED grew sales by 10.1% from £537.4m in 2014 to £591.5m in 2015. On a constant currency basis, sales grew by 22.5%, largely supported the growth from the acquisition of Davigel and constant currency EBITDA grew by 25%. Excluding the Davigel acquisition, constant currency turnover grew by 4.3% with growth achieved in large corporate accounts, public sector tenders and to independent restaurants. This was achieved through market share gains in a tough market environment, and reflects the benefits of recent initiatives in range management, accurate pricing and sales force training and investment.

Reported EBITDA increased from £21.7m in 2014 to £24.0m in 2015, with EBITDA margin increasing from 4.0% of sales in 2014 to 4.1% in 2015. Excluding the £3.5m EBITDA contribution from the Davigel acquisition, reported EBITDA fell by £1.2m but grew by 6.7% on an organic constant currency basis.

Had Davigel been acquired from 1 January 2015, turnover in BCED would have been £379.1m higher and EBITDA would have been £12.6m higher.

**Outlook**
The foodservice market has remained weak in France for several years, although market forecast outlooks are now starting to show some improvements. However, BCED still has a relatively small market share in France compared to Brakes in the UK and has a clearly defined strategy to deliver growth and gain share. In addition, the recently completed acquisition of Davigel provides exciting opportunities for sales and profit growth.

## Strategic report - business overview: Menigo (Sweden)

**About Brakes in Sweden: Menigo**
Menigo has been part of Brakes Group of companies since April 2010. The foodservice market in Sweden has attractive characteristics and provides pan-European synergy opportunities. Menigo employs around 1,000 people and has over 30,000 products in its range, giving customers a well balanced product offering across fresh, frozen, grocery and non-food products. Menigo's distribution network is focused on the major cities, providing coverage to 100% of the population. Menigo has over 12,000 customers and is the second largest player in foodservice distribution in Sweden.

**Menigo strategy**
Menigo's strategy is to generate significant growth in revenue and profit over the next five years, supported by leverage of knowledge and experience from the Brakes Group. Menigo will focus on:

- Sales growth: there are opportunities in each of the corporate, independent and tender sales sectors from category gap fill, Brakes Group ranges (e.g. La Boulangerie) and increase in sales force density.

- Network efficiencies and service improvements: there are opportunities to improve both operating leverage and services to customers through the application of Group best practice in warehouse and transport productivity.

- Margin enhancement: development of ours and our customers' margins by providing innovative and leading own brand products and purchasing commodity products on a group wide basis.

**Overview of 2015 performance - Menigo**

| | 2015 £m | 2014 £m | Change % |
|---|---|---|---|
| Revenue | 435.8 | 447.4 | (2.6)% |
| Operating profit (before exceptional items) | 12.1 | 9.3 | 30.1% |
| Operating profit (post exceptional items) | 12.0 | 8.7 | 37.9% |
| *Add back:* | | | |
| - exceptional items | 0.1 | 0.6 | (83.3)% |
| - depreciation | 2.0 | 2.2 | (9.1)% |
| - amortisation | 1.4 | 1.6 | (12.5)% |
| EBITDA | 15.5 | 13.1 | 18.3% |
| EBITDA margin | 3.6% | 2.9% | |

* Sweden turnover decreased by 2.6% from £447.4m in 2014 to £435.8m in 2015.

* Sweden EBITDA increased from £13.1m to £15.5m. EBITDA margin as a % of sales increased from 2.9% to 3.6%.

On a constant currency basis, Sweden sales grew by 11.3% compared to prior year and EBITDA grew by 34.9%.

## Strategic report - business overview: Menigo (Sweden) (continued)

We are pleased by the continuing progress and development of Menigo, our business in Sweden. The Swedish economy has remained buoyant and in 2015 Menigo sales increased by 11.3% on an underlying local currency basis. Growth was achieved in large corporate accounts, public sector tenders and independent restaurants. On a reported basis, sales moved from £447.4m in 2014 to £435.8m in 2015.

The benefits of some of the initiatives that have taken place since our acquisition of Menigo are clearly evident in the EBITDA growth. EBITDA has grown from £13.1m in 2014 to £15.5m in 2015 with EBITDA margin improving as a percentage of sales. This reinforces the advantages of leveraging shared expertise and experience in distribution, purchasing and product development across the Group.

### Outlook

Menigo continues to grow sales and margin and is making excellent progress towards the aim of delivering EBITDA margins in line with the rest of the Group. We see significant further opportunity to grow market share and EBITDA in Sweden and to leverage synergies with the rest of the Group.

**Strategic report - financial review**

| Group summary | 2015 £m | 2014 £m | Change % |
|---|---|---|---|
| Revenue | 3,295.0 | 3,094.2 | 6.5% |
| Operating profit (before exceptional items) | 77.0 | 55.6 | 38.5% |
| Operating profit (post exceptional items) | 19.2 | 15.9 | 20.8% |
| *Add back:* | | | |
| - exceptional items | 57.8 | 39.7 | 45.6% |
| - depreciation | 42.2 | 35.1 | 20.2% |
| - amortisation | 51.9 | 59.5 | (12.8)% |
| EBITDA | 171.1 | 150.2 | 13.9% |
| EBITDA margin | 5.2% | 4.9% | |

For the year ended 31 December 2015, Group EBITDA was £171.1m (2014: £150.2m) and Group EBITDA margin was 5.2% (2014: 4.9%).

During 2015 the Group has continued with the roll-out of its strategic plan which will ensure that the business can meet and exceed the service expectations of its customers. The plan is moving towards the end of the investment phase, which has included investments in IT, the distribution network and e-commerce designed to meet the evolving needs of our customers in the foodservice industry. Within the UK, all deliveries out of Warrington, Hemsworth and Newhouse in Scotland are now multi-temperature with the roll-out next continuing around the Harlow depot. In BCED, with the benefit of sales force training, marketing initiatives, customer relationships and new product launches, Brake France has delivered sales growth in excess of the market. In Sweden, Menigo has a good momentum and is implementing sales and cost initiatives, which have delivered a very strong level of year on year EBITDA growth. Overall, we are encouraged by the growth in EBITDA reported for the year, and expect the initiatives being rolled out across the Group will help support further growth in the coming years.

The Group continues to remain cash generative with £192.3m of cash generated from operating activities before exceptional items. This enables the Group to meet comfortably the net cash interest payments during the year of £60.5m, giving 2.8x cash pay interest cover (2014: 2.6x).

After taking into account net finance costs, together with depreciation, amortisation, impairment and exceptional costs, the reported loss on ordinary activities before taxation for the year was £183.8m (2014: £179.2m).

Exceptional items in 2015 includes (i) £5.8m (2014: £6.4m) of business change costs on projects delivering fundamental business change and operational restructure across the Group. In 2014 and 2015 the costs include Brakes' employees dedicated to project management together with external consultancy costs, particularly attributable to IT restructuring; (ii) £22.2m (2014: £27.9m) of restructuring has taken place in the UK in order to redevelop the distribution network and infrastructure with the costs primarily relating to project management costs, the closure of depots and the restructuring costs relating to redundancy payments and other exceptional operating costs incurred during the period prior to closure and also costs in relation to start up and dual running costs when opening and closing depots; (iii) £6.8m (2014: £3.7m) of other restructuring and other costs, including redundancy costs incurred from headcount reduction programmes; (iv) £17.6m (2014: £1.7m) for transaction costs associated with both the Fresh Direct and Davigel acquisitions as well as costs of considering the future strategic options for the Brakes Group (the costs of both the Fresh Direct and Davigel acquisition included legal, commercial, strategic and financial due diligence) and (v) financial instrument costs of £5.4m for the increase in the cost of a put liability since the date of completion of the Fresh Direct acquisition (see note 24 to the financial statements for further details).

## Strategic report - financial review (continued)

*Cash flow, covenants and balance sheet*

The business continues to generate strong cash flows from operations with tight management of working capital. Cash flows from operating activities in the year after exceptional items were £145.5m (2014: £123.9m), supported by continuing strong working capital management, and focus on cash generation across all areas of the business.

Financing costs (net) for the year were £203.0m (2014: £195.1m), of which the cash element required to be paid during the year was £60.5m (2014: £57.6m). The year on year increase in cash interest cost relates to payments on the Senior Notes raised in May 2014. The remaining interest charges principally relate to non-cash interest of £128.8m (2014: £116.2m) on the payment-in-kind loan, shareholder loan and an element of the senior bank loans, together with amortisation of debt issue costs in the year of £7.3m (2014: £9.7m).

On 2 November 2015, the Group raised a new Senior bank loan of €130.0m to fund the acquisition of Davigel and associated future costs, with a maturity matching the existing Senior Notes of 15 December 2018. On 12 November 2015, the Group raised a new Senior bank loan of £230.0m with a maturity date of 12 November 2020. The Group used the net proceeds to repay £222.1m of existing senior bank loans.

Cash flows from financing activities amounted to an inflow of £34.5m represented by loan repayments of £277.3m (including £222.1m for senior bank loan repayments, £2.0m for Swedish bank loan repayments, £39.4m for the repayment of loan to former parent of Davigel and £13.8m for other bank loans), finance lease capital repayments of £14.7m, debt finance transaction costs paid of £16.8m following the issue of the new Senior bank loans, proceeds of £342.9m (including £230.0m from the new Senior bank loan, £92.9m from the new Senior bank loan to fund the Davigel acquisition and £20.0m from a new bank loan to fund the acquisition of Fresh Direct).

It is our policy to invest for the long-term benefit of the Group. During 2015, Brakes investment in property, plant and equipment and intangible assets (computer software) amounted to £85.6m, of which £16.3m related to BCED and £3.0m to Sweden. Total capital expenditure included £38.2m on vehicles, £15.3m on plant and equipment, £24.2m on information technology and computer software and £7.9m on land and buildings.

The net liabilities of the Group increased to £937.0m (2014: £748.3m).

Net debt at the year-end amounted to £2,225.5m (2014: £1,940.1m) with committed but undrawn facilities of £94.0m, of which £75m of senior bank facilities are available until June 2018, and other bank loan facilities of £4.0m are available until September 2018 and £15.0m are available until February 2020.

Under the terms of its main banking facilities the Group is required to meet two financial covenant tests on a quarterly basis, and one on an annual basis. The covenants measured quarterly are Net Debt/EBITDA and EBITDA/Adjusted Cash Pay Interest, and annually Gross Capital Expenditure. The Group reported headroom on all covenant testing during the year ended 31 December 2015 with management forecasts indicating continued covenant headroom throughout 2016.

As a consequence of the strong operational and cash flow performance, committed long-term facilities and covenant headroom, the Directors consider the financing and balance sheet of the Group sufficient to support the Group's activities going forward and repay its liabilities as they fall due, despite having net liabilities as at 31 December 2015.

## Strategic report - risks and uncertainties

A risk management framework is in place and under ongoing review and development. The Board is responsible for overseeing the framework and executes this through the Audit Committee. The Group has identified its top ongoing Board Level Risks and the Audit Committee regularly reviews the risk maps for the UK & Ireland and BCED. A separate Menigo Audit Committee oversees the Group's Swedish operations and the risk maps for Menigo are shared with the Audit Committee.

The Risk Committee has continued to meet on a quarterly basis since it was first established in 2013. The Committee was developed further in October 2015 when it approved a new reporting framework. The members of the Risk Committee now comprise the UK & Ireland CEO, the Group CFO, the Group CIO, the Group HR Director, the Group Secretary & General Counsel and the UK Operations Director. Senior managers from key business areas, who are sponsored by members of the Risk Committee, review their individual risks on a regular basis and are invited in rotation to present their view of risk in their area to the Risk Committee. Reports from the Risk Committee are reviewed by the Audit Committee. The framework is also used in major projects and initiatives, the tools being shared with partners where appropriate and viewed by project steering committees.

The co-source partnership arrangement continues with a "Big 4" practice now undertaking the full internal audit function. This ensures the Group has access to a wide range of subject matter expertise and leading internal audit methodologies to support the work of the Risk Committee.

Further risk management and controls assurance is obtained through the activities of other audit type functions including Health and Safety, Food Safety, Environment and Motor Transport audits. Reviews by external accreditation bodies contribute to continuous improvement opportunities.

The most significant current business board level risks are described below together with brief comments as to the main risk management actions being pursued.

*Economic and trading risks*
The Board recognises and takes appropriate action in response to the economic and business environment. The current environment continues to provide challenges but our markets have proven resilient, and enjoy good long term prospects.

The environment is monitored externally and risks and opportunities are considered by business units continually and reported monthly. The Group's longer term initiatives collectively act to both mitigate and take advantage of the economic environment.

*Business change and major initiatives*
Large-scale business change programmes (which would include major customer initiatives, systems implementations, business process re-engineering and major infrastructure investment) present a variety of risks both in terms of ensuring delivery of objectives and for their potential to disrupt business-as-usual.

The ongoing major UK programme activity involving the upgrade of ERP systems, review of business processes, and significant investment in network capability receives attention at both Executive Committee and Board Level. During 2015, the opening of the new Harlow RDC was subject to robust governance and risk management structures throughout, which incorporated lessons learned from previous depot openings.

*IS and information systems infrastructure*
In addition to the upgrading of ERP systems, the Group recognises the need for ongoing investment in infrastructure, security, disaster recovery and modernisation.

A focused programme of initiatives is underway to improve network and systems resilience, capability and efficiency in order to support the strategic and business change programme. In 2015, Brakes has changed its main IS partner and upgraded numerous elements of infrastructure, reducing the level of risk in this area.

*Operations and network*
Supply Chain and Depot operations remain crucial to the business. The network change programme of investment is creating a more robust, resilient multi-tiered network operating on a single IT platform. This means that, for example, in the event of a loss of a depot there is sufficient capacity in the network to ensure we continue to support customers by enacting a plan to re-direct customer and supplier deliveries through other sites in the network and working with our third party logistics providers in order to maintain sales and service. Brakes management has a programme of continuous review and improvement covering all aspects of the supply chain from 'field to fork'. Working with suppliers and market-leading 3rd party operators on making 'route to market' changes that reduce end-to-end cost and improves service levels is a core discipline managed by the Brakes supply chain and procurement teams. This activity is supported by the continual development of IS solutions such as the new web based 'i-supply', supplier information exchange portal, allow for the improvement in end-to-end cost and service optimisation.

## Strategic report - risks and uncertainties (continued)

*Product safety and integrity*

The safety and integrity of our products is of paramount importance and we are committed to managing it effectively and proactively. The Group has an extensive Quality Assurance process covering both the food and non foods areas with a capable and competent technical team who monitor supplier and product safety, quality and integrity. The technical team also set and monitor the Group's own internal standards and manage the technical approval process for all new products introduced.

A product recall process is in place to ensure that should they occur; any product safety issues can be quickly and efficiently handled.

Product Safety risk is assessed across the Group, and we share knowledge and resources to ensure high technical standards are maintained across all parts of the business. Our sites are regularly audited by an independent external certification body against industry recognised standards to provide further product safety assurance.

In recent years there has been an increasing consumer focus on food integrity and assurance, and Brakes has responded to this by enhancing its comprehensive supplier assessment programme and its extensive product surveillance and testing regime.

We have also engaged in collaborative work with an industry group of leading food retailers, manufacturers, and foodservice companies to improve information and intelligence sharing to help avoid food incidents and food fraud. This is in response to the recommendations within the Government commissioned Elliott report into the Integrity and Assurance of Food Supply Networks.

*Health and safety*

As a progressive business the management of Health and Safety remains a key priority. A comprehensive policy is in place that details responsibilities and helps ensure that the required level of leadership and prioritisation is given to this important aspect of our operations. The Supply Chain & Operations Director has been assigned ultimate responsibility for Health and Safety, and a Safety Management team and process is in place to drive continual improvement.

Health and Safety reactive and pro-active KPI's are set for the whole of the UK operation. These are tracked monthly at Executive level and also benchmarked against industry standards to ensure Brakes continually improves the standards for its employees, visitors and others affected by the work activity.

*Financial controls and cash flow*

Day to day cash flow and financing requirements are monitored by the Group's treasury function. The Treasury Committee oversees the risk management of treasury functions including risk reviews, covenant compliance and operational controls. Group Internal Audit conducts reviews of selected areas of treasury. Further details are provided in the financial risk review.

*Continuity*

The Business Continuity Framework remains under continuous review and enhancement, both from an operations and an IT perspective. In the event of a serious incident, the Group has demonstrated its ability to respond quickly and effectively and with minimal disruption to business partners and customers, particularly through its incident committee, which is made up of senior representatives of all business units. The incident committee is mobilised in the event of a potential incident which could impact on business partners or customers to ensure any impact is minimised and communicated in the right way.

*Fraud, theft and other irregularities*

The risk of fraud or other irregularities such as financial manipulation, theft, bribery, collusion or diversion of product or funds exist in most organisations.The Group's primary mitigation is the maintenance of a strong control environment, with clear codes of conduct, policies, procedures and an understanding of areas most likely at risk. Senior Management and the Internal Audit function must be informed about any concerns or irregularities as part of the Group Fraud Policy and all notified incidents of alleged fraud, theft and irregularities are taken seriously and investigated to the extent necessary. "Whistle blowing" and other channels of communication are available to management and staff.

## Strategic report - risks and uncertainties (continued)

*Our people*
Our greatest asset is our employees. Our business is dependent upon the skills and performance of its employees in a number of key functions. Our Human Resources (HR) team regularly monitors labour turnover, absenteeism and health and safety trends and ensures that all reasonable actions are taken to minimise the impact of these issues on the performance of the Group.

Of particular note is the industry wide shortage of drivers, which has continued into 2015. The Group continues to tackle this issue with a series of actions to ensure that we retain the drivers necessary for our business to function.

Developing our employees has remained a key priority during 2015. We implemented our own bespoke training programme for colleagues, to ensure that we catered for the training requirements for all areas of the business and which is centered around one of our core values, “being the best we can be”. This is in addition to a dedicated leadership programme providing a framework for the development of the leadership team within our business. Our internal communication practices continue to develop and evolve, to ensure maximum employee engagement.

*Environment*
The Group’s key environmental risks associated with the operation continue to relate to energy consumption, the rising costs of such and increasing government legislation and taxation aimed at promoting a low carbon economy. The Group’s network strategy comprising of ultra energy efficient RDC’s (Regional Distribution Centres) together with a move towards multi-temperature deliveries to customers thereby reducing overall fuel consumption will considerably mitigate these threats.

During the year the UK group enjoyed another successful annual environmental audit from the ISO14001 certification body NQA. Adherence to this standard continues to provide a robust framework for measuring and improving environmental impact.

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

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

The Group’s Treasury Committee co-ordinates the overall application of the risk management policies in relation to treasury, with the board of directors having overall responsibility for setting the risk management policies applied by the Group. The Treasury Committee and the central group treasury department receive regular reports from the operating companies to enable prompt identification of financial risks so that the appropriate actions may be taken, and policies implemented. The Group has a policy and procedures manual that sets out specific guidelines to manage foreign exchange risk, interest rate risk, credit risk, use of derivative and non-derivative financial instruments, and investment of excess liquidity. These risks are managed as described below.

*Funding, liquidity risk and going concern*
The Group actively maintains a mixture of long-term and short-term facilities that are designed to ensure the Group has sufficient available funds for operations and planned expansions. Management monitors rolling forecasts of the Group's liquidity reserve (comprising undrawn borrowing facility and cash and cash equivalents) on the basis of expected cash flow. The Group maintains liquidity through available cash reserves and undrawn committed borrowing facilities available primarily through its Senior Facilities Agreements. The senior banks monitor the Group’s performance through quarterly financial covenant tests, with the Group reporting headroom on all covenant testing during the year ended 31 December 2015 and with management forecasts indicating continued covenant headroom throughout 2016 and into 2017 (see note 17 (a) to the financial statements).

In assessing whether the financial statements for the Group are prepared on the going concern basis, the Directors have considered the future outlook of the Group for a period of 12 months from the date of approval of these financial statements. Having considered the future operating profits, cash flows and facilities available to the Group, the Directors are satisfied that the Group will have sufficient funds to repay its liabilities as they fall due. Consequently, the financial statements are prepared on the going concern basis.

## Strategic report - risks and uncertainties (continued)

*Interest rate risk management*
The Group has both interest bearing assets and interest bearing liabilities. The Group's interest rate risk primarily arises from floating interest rate long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. During 2015, the Group's borrowings at variable rate were denominated in the UK Pound, Euro and Swedish Krona. The Group manages its cash flow interest rate risk by using interest rate caps and interest rate swaps. The interest rate caps have the economic effect of placing a limit on the maximum interest rate applied at certain future dates. The interest rate swaps (used solely in Menigo) have the economic effect of fixing the interest rate payable on the notional debt amount for certain future periods.

*Foreign currency risk management*
The Group has operations in the UK and Ireland, BCED and Sweden. The Group is exposed to foreign exchange risks primarily with respect to the Euro and the Swedish Krona. The Group Treasury department manages this risk mainly through the use of foreign currency borrowings to hedge the foreign currency investment.

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

*Commodity price risk*
The Group is exposed to commodity price risk primarily with respect to diesel purchases. The Group has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the Group by using diesel fuel commodity swaps to hedge against future price changes.

## Strategic report - corporate responsibility report

In 2015, the UK Group once again had its sustainability credentials assessed by the Chartered Institute of Procurement and Supply (CIPS). The CIPS Sustainability index is an independent cross sector means for customers to gauge the performance of their suppliers across the three classic pillars of sustainability Economic, Environment and Social. The results were even better than last year with ratings of 92% for Economic, 100% for Environment and 94% for Social. This was the second year running that environmental credentials scored top marks. In BCED, Brake France engaged in a sustainability program based on ISO 26000 International Standard and has signed the UN "Global Compact initiative": to underpin the company's commitment to corporate, social and environmental responsibility. The ethical charter is shared by the employees of Brake France and signed by 95% of the company's food suppliers.

The Brakes CSR strategy which had been re-evaluated during the previous year continues to make steady progress across the newly constructed 3 pillars of:

- Environmental Management;
- Health and Wellbeing; and
- Community.

***Environmental Management***
We have continued to make improvement in environmental management statistics, which is an even more impressive achievement when considered in the context of the ongoing business growth. Key to this success has been investment in new lighting technology at many of our depots, modern more efficient refrigeration systems at new regional distribution centres and continuing fuel saving initiatives for the fleet of distribution vehicles. As a result, the Group has continued to reduce its energy consumption through economies of scale and improvements in systems and processes at the same time as growing the business.

Progress with key objectives:

- *Pollution, prevention and continuous improvement*: during the summer the business's EMS was again audited by the independent accreditation body National Quality Auditing (NQA). The operational environmental championship structure was further augmented with newly recruited HS&E officers and training sessions were held both for incumbents and as a refresher for the current team. Despite a busy and challenging trading year environmental standards were upheld.

- *Carbon footprint*: the UK company has made tremendous progress against it's carbon reduction target of 20% by 2020 against a base year of 2010 and at the end of 2015 had achieved a 17% reduction. A more stretching target may be established once the 20% has been achieved. In part this has been facilitated by the new energy efficient Regional Distribution Centre's; Reading, Warrington, Newhouse and Harlow. All four sites were constructed to a high BREEAM standard with rain water harvesting being part of the specification.
  During 2015 the UK business increased its purchases of green energy produced from renewable resources from approximately 21% to 28%. This is largely the UK's non-cold store electricity usage comprising of offices and ambient warehouses. This policy continues to support the businesses commitment towards environmental improvement and the fulfillment of CSR objectives.
  In BECD in Brake France there has been an Eco driving program with more than 70 % of drivers trained and the average oil reduction is 5%. A new truck with hybrid technology has been tested in the Lyon area. 6 depots have been audited regarding energy consumption and an action plan has been established for the "Bilan carbone" renewing.

- *Waste management*: progress against the UK zero waste to landfill target by end 2015 is promising with latest estimates reporting more than 99% of all waste being diverted via recycling or energy recovery techniques. The Group continues to rigorously follow the DEFRA "Waste Hierarchy" comprising of prevention, reuse, recycling and recovery and in 2015 donated an estimated 440,000 meal equivalents to Fairshare the national UK charity for the homeless and needy.

  The Group continues to be a key founding signatory to the WRAP (Waste & Resources Action Programme) Hospitality and Foodservice voluntary agreement. Their environmental management is actively involved with other signatories in a collaborative approach towards achieving two industry objectives by the end of 2015:

  - To reduce food and associated packaging waste by 5% against a 2012 baseline; and
  - To increase the overall rate of food and packaging waste being recycled or sent to anaerobic digestion or composted to at least 70%. Currently the Group is achieving 74% through a combination of recycling and re-use.

On food waste reduction Brake France joined a governmental collective engagement. With a target of 0.2% of food waste, more than 65 tons was sent for anaerobic digestion, with more than 15 tons given to food banks (equivalent 30,000 meals).

## Strategic report - corporate responsibility report (continued)

Brake France also offers a free recycling oil service (“Allo A l’huile”) to customers enabling more than 9,000 litres to be recycled among French restaurants.

- *Water conservation*: since the sale of the manufacturing sites, Flint and Torquay, the Group is even less of an industry user of this valuable natural resource. Nevertheless it continues to be committed to minimising water consumption and rain water harvesting at the new RDC’s is having a positive impact.

During 2015 the Group’s sustainability credentials continued to be recognised by industry when it was not only ranked 11th in the Sunday Times top track 100 private businesses but, won the BVCA Community & Environmental Action Award for the South East region.

***Health and Wellbeing***
*Nutrition*
The Group is responsive to changes in nutritional thinking, government legislation and consumer demands. We have maintained a Health, Nutrition and Wellbeing Department since 1985 and are able to offer our customers a broad range of naturally healthy foods and our Healthier Choices range which provides healthier alternatives to popular foods.

We have worked with government agencies on a number of key initiatives relating to health and nutrition and have signed up to the Department of Health’s Responsibility Deal which aims to improve public health by encouraging industry to take steps across a wide range of health initiatives. We are also members of the IGD’s Industry Nutrition Steering Group which will have health and wellbeing as a key theme for 2016.
As a leading foodservice supplier in the UK and Ireland, BCED and Sweden we are committed to promoting nutrition, health and wellness through the products we supply to our customers. We offer support and information to our customers through brochures and our website with advice, serving suggestions and recipes for our products. Our Association for Nutrition Accredited course for care homes has been well used with more than 70 care homes registered to use the course and 200 individuals who have successfully completed it. Nutrition and ingredient information for all Brakes Brand products is now published on our website and our nutritionists meet regularly with our major customers to discuss menu development.

Our nutrition team have provided training for our own staff by running Nutrition for Non-nutritionist courses, together with the provision of cookery schools for sales staff.

*Improving healthy eating*
We recognise our responsibility to customers in providing them with a wide choice of products and the support they need to help improve the nation’s diet. The Health and Nutrition team from Brakes have been engaged with the Department of Health since the publication of the Public Health Responsibility Deal and have had discussions with Public Health England and the Department of Health about future strategies following the publication of the SACN report on Carbohydrates and Health. As part of this we participated in the development of a set of competencies required for the nutrition training of people involved in foodservice with the Association for Nutrition and Public Health England. We are also working with the Scottish government on their healthier eating initiatives.

***Community***
We are dedicated to improving healthy eating for those who lack access to nutritional food and to support the development of careers in the foodservice and hospitality industries, working with partners who share these goals. We wish to support the communities in which we operate, whilst also adding value to the Brakes Group and all its stakeholders. Examples of our progress made in 2015 include the following:

Working in partnership with Fareshare, we continued to divert hundreds of tonnes of food from landfill to help people living in food poverty. This is our fifth year partnering with Fareshare, which re-distributes in-date food waste to hundreds of UK charities through a network of 17 depots, all operated by volunteers. Similar initiatives are in place in BCED where Brake France supports French food banks by encouraging charity volunteering and financial support. In Sweden, Menigo works closely with ‘Stadsmissionen’ and donates surplus products as well as providing an annual monetary contribution. ‘Stadsmissionen’ is an organisation that helps children, young people or vulnerable adults and families in need of the support.

## Strategic report - corporate responsibility report (continued)

We continued our involvement in the IGD's Feeding Future Campaign, taking part in the Skills for Work initiative, which is designed to support young unemployed people. We ran a number of events at sites around the UK, providing insight into careers in supply chain and advice on looking for work. We also supported their initiative to visit schools and discuss career opportunities in the sector.

As a founding member of the Novus Trust, a partnership with the University of Huddersfield, we continue to support students on a Supply Chain degree course, offering mentoring, summer and industry placements and also graduate career opportunities.

This year we have launched "Meals & More"; an initiative which supports the provision of food clubs for school children in disadvantaged areas. Typically, these food clubs will provide a nourishing meal for children after school and or during the holidays. They also provide an opportunity for the children and their carers to meet in a sociable and supportive environment. Our charity golf day raised over £25,000 for the initiative and we are working with many of our suppliers to support specific club provision. In 2015 we piloted clubs in 4 local authority areas and in 2016 we plan to start accelerating the Meals & More programme to many more clubs.

***Responsible Sourcing***
*A final key consideration for Brakes in the way it conducts business is with regard to responsible sourcing*. At Brakes we understand the importance and indeed the benefits of ensuring every aspect of our business is run in a responsible and ethical way. From a procurement perspective we are focused on six key areas:

(i) *Supplier relationships*
We recognise the importance of our suppliers to the on-going success of our business and our Supplier Relationship Management (SRM) initiative is designed to engage with all of our suppliers and encourage feedback on areas in which we can improve.

In Menigo, the supply chain management code of conduct is based on the United Nations ten principles that are well known worldwide. It defines how to conduct business in a sound and responsible way – socially, ethically and environmentally. The code of conduct is part of the business agreement with every new supplier and is also a basis for the yearly evaluation of existing suppliers. All suppliers must agree to the code of conduct and accept Menigo's right to perform unannounced audits on-sight as well as with their business partners.

(ii) *Sourcing*
In every country that we operate, consumers continue to show a desire to 'Buy Local' placing high importance on locally grown and sourced produce. We understand the challenges that our suppliers face and will continue to support local growers, producers and packers at every opportunity, looking to further improve the ways we communicate to our customers and respond to the consumer preference for products that are grown and sourced locally and regionally.

(iii) *Environment*
The Group continues to identify ways to reduce its impact on the environment through the use of modern technology and by reducing mileage through its network strategy. It has made excellent progress in terms of waste reduction and landfill diversion.
A commitment to use only sustainable palm oil in all of the Brakes own label products is on track. From January 2016 onwards any products containing non-sustainable palm oil will cease to be purchased.

(iv) *Animal welfare*
We continue to focus on animal welfare and sustainable fishing. Our close working relationship with suppliers helps us ensure our producers comply with good husbandry practices and legislation safeguarding that all animals are properly and consistently treated.

*(v) Ethical trading*
Our ethical trading policy is based on well respected labour standards and ensures that our sourcing decisions are made in an informed way. Our supplier facing colleagues have undertaken external workshops on this important subject and this is a key area of focus when we are making decisions as to who we trade with to ensure we deliver in the most ethical way possible.

The Group will never knowingly accept products from suppliers who exploit the people or natural resources of their environment. The Group requires suppliers to meet its code of conduct, including human rights issues, which is based on standards set by the Ethical Trade Initiative and reflect the key elements of the International Labour Organisation conventions. This code of conduct relates both to its own operations and those of its supply chain.

## Strategic report - corporate responsibility report (continued)

*(vi) Transparency*

We have a clear responsibility to our customers to provide them with products that contain only what is stated on the label so that they in turn can serve their consumers with confidence. Trading in a transparent and responsible way across all of our working practices has played an important role in delivering the success and growth we have enjoyed over many years. As part of our commitment in this area we have in place an extensive fish and meat speciation testing program in addition to undertaking authenticity tests on other categories considered to be high risk.

In Sweden, transparency is very important, questions about contents in products and ethics are taken very seriously by Menigo. Menigo offers a wide assortment of ecological, fair traded and locally produced products. They set clear goals to increase the sales of these products year-on-year. We want to help our customers to make the most responsible decisions as possible. The ambition is to launch products without unnecessary additives and for example since 2010 there are no flavour enhancers in any of our own products.

## Strategic report - board of directors and key management

**Directors**
The directors (all of whom are male employees except for one female) who held office during the year and up to the date of signing these financial statements, unless otherwise stated, are given below:

K McMeikan
P Wieland (resigned 4 April 2016)
I R Goldsmith
A J Whitehead (resigned 31 March 2015)
S P Smith
D C Lennard (resigned 31 March 2015)
S Whibley (appointed 1 April 2015)
M Ball (appointed 4 April 2016)

**Management executive committee**
During 2015 the Group management team was led by the Group Chief Executive Officer, K McMeikan. The Group Chief Executive Officer is supported by an executive committee which is responsible for the day to day management of the Group's affairs. All members of the team have extensive experience in, and in-depth knowledge of, the foodservice sector and the broader distribution industry. The members of the executive team (all of whom are male employees) and their roles are given below:

*Group executive:*

| | |
|---|---|
| K McMeikan | Group Chief Executive Officer |
| I R Goldsmith | Chief Operating Officer |
| P Wieland | Group Chief Financial Officer and Chief Executive Officer UK & Ireland |
| J Deronzier | Directeur General - BCED |
| J Köhler | Chief Executive Officer - Menigo Foodservice AB |

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

**K McMeikan**
Director
29 April 2016

**Directors' report – general information**

The directors submit their annual report and the audited consolidated and parent company financial statements for the year ended 31 December 2015.

**Business review and principal activities**
Cucina Acquisition (UK) Limited is a limited company incorporated, domiciled and operating in the United Kingdom.

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

The results of the Group for the year are set out in the consolidated income statement on page 27.

**Post balance sheet events**
On 22 February 2016 the Bain Capital announced that it had reached a definitive agreement for the sale of the Group to North America's leading foodservice distributor Sysco Corporation. It is expected that transaction will complete by July 2016.

**Dividends**
No interim dividends have been paid (2014: £nil) and the Directors do not recommend a final dividend (2014: £nil).

**Share capital**
The authorised and issued share capital of the Company is shown in note 21 of the financial statements.

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

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

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

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

The Group employs over 15,000 people. We provide extensive training and career development programmes. It is our policy to achieve and maintain a high standard of health and safety at work and to ensure everyone, regardless of race, religion, age or sex, and including disabled people where reasonable and practicable, is treated in the same way as regards applications for employment, employment, training, career development and promotion. Every effort is made to help with the rehabilitation of anyone injured during their employment, and to provide support we have an Employee Care Programme.

**Directors' report – general information (continued)**

**Independent auditor and disclosure of information to auditors**
Deloitte LLP shall remain in office until the Company or Deloitte LLP determine otherwise.

Each of the persons who are a Director at the date of approval of this report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the Director has taken all steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

**Guidelines for Disclosure and Transparency in Private Equity**
The Directors confirm compliance with the Guidelines for Disclosure and Transparency in Private Equity for enhanced disclosure by portfolio companies.

**Directors' responsibilities statement**
The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company and Group will continue in business.

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

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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

**Company number: 06279225**

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

**K McMeikan**
Director
29 April 2016

## Independent auditor's report to the members of Cucina Acquisition (UK) Limited

We have audited the group and parent company financial statements of Cucina Acquisition (UK) Limited for the year ended 31 December 2015 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated and company statements of financial position, the consolidated and company cash flow statements, the consolidated and company statements of changes in equity and the related notes 1 to 29. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

**Respective responsibilities of directors and auditor**
As explained more fully in the Directors' Responsibilities Statement, as set out on page 25, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

**Opinion on financial statements**
In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2015 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 European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

**Opinion on other matter prescribed by the Companies Act 2006**
In our opinion the information given in the Strategic Report and 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.

**Emma Cox BA ACA (Senior statutory auditor)**
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
29 April 2016

# Cucina Acquisition (UK) Limited

**Annual report and financial statements**
**For the year ended 31 December 2015**

## Consolidated income statement

**For the year ended 31 December 2015**

| | Note | **2015 £m** | 2014 £m |
|---|---|---|---|
| **Continuing operations** | | | |
| Revenue | 2 | **3,295.0** | 3,094.2 |
| Operating costs | | **(3,275.8)** | (3,078.3) |
| **EBITDA**[1] | | **171.1** | 150.2 |
| Depreciation, amortisation and impairment of intangible assets | | **(94.1)** | (94.6) |
| Exceptional items | 3 | **(57.8)** | (39.7) |
| **Operating profit** | 3 | **19.2** | 15.9 |
| Finance costs | 4 | **(205.1)** | (195.7) |
| Finance income | 4 | **2.1** | 0.6 |
| Finance costs - net | | **(203.0)** | (195.1) |
| **Loss on ordinary activities before taxation** | | **(183.8)** | (179.2) |
| Income tax credit | 5 | **5.8** | 9.5 |
| **Loss for the year** | | **(178.0)** | (169.7) |
| **(Loss) / profit for the year attributable to:** | | | |
| Owners of the parent company | | **(182.9)** | (171.6) |
| Non-controlling interests | | **4.9** | 1.9 |
| | | **(178.0)** | (169.7) |

[1]**EBITDA** (earnings before interest, taxation, depreciation, amortisation, impairment of intangible assets and exceptional items)

The notes on pages 35 to 66 form an integral part of these financial statements.

The company has elected to take the exemption under section 408 of the Companies Act 2006 to not present the parent company's income statement. The loss and the total comprehensive expense for the parent company for the year was £148.6m (2014: £144.7m).

# Cucina Acquisition (UK) Limited
**Annual report and financial statements**
**For the year ended 31 December 2015**

## Consolidated statement of comprehensive income

**For the year ended 31 December 2015**

| | Note | **2015 £m** | 2014 £m |
|---|---|---|---|
| **Loss for the year** | | **(178.0)** | (169.7) |
| **Other comprehensive income / (expense):** | | | |
| *Items that will not be reclassified to profit or loss* | | | |
| Actuarial gains / (losses) on defined benefit pension scheme | 18 | **7.1** | (14.0) |
| Taxation on items taken directly to other comprehensive income | 5 | **(1.7)** | 2.7 |
| **Total items that will not be reclassified to profit or loss** | | **5.4** | (11.3) |
| *Items that may be reclassified to profit or loss* | | | |
| Cash flow hedges - losses arising in the period | 17 (b) | **-** | (2.4) |
| Taxation on cash flow hedges | 20 | **-** | 0.5 |
| Currency translation differences | 22 | **0.2** | 11.2 |
| **Total items that may be reclassified to profit or loss** | | **0.2** | 9.3 |
| **Other comprehensive income / (expense) for the year, net of tax** | | **5.6** | (2.0) |
| **Total comprehensive expense for the year** | | **(172.4)** | (171.7) |
| Total comprehensive (expense) / income for the year attributable to non-controlling interests | | **(0.2)** | 0.9 |
| Total comprehensive expense for the year attributable to owners of the parent company | | **(172.2)** | (172.6) |
| **Total comprehensive expense for the year** | | **(172.4)** | (171.7) |

The notes on pages 35 to 66 form an integral part of these financial statements.

## Consolidated statement of financial position

**At 31 December 2015**

| | Note | 2015 £m | 2015 £m | 2014 £m | 2014 £m |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| **Non-current assets** | | | | | |
| Goodwill | 7 | | **850.7** | | 814.6 |
| Intangible assets | 8 | | **311.4** | | 299.6 |
| Property, plant and equipment | 9 | | **337.0** | | 217.6 |
| Financial assets - derivative financial instruments | 17 (b) | | **-** | | 0.4 |
| | | | **1,499.1** | | 1,332.2 |
| **Current assets** | | | | | |
| Inventories | 11 | **179.8** | | 124.1 | |
| Trade and other receivables | 12 | **454.4** | | 360.5 | |
| Cash and cash equivalents | 13 | **149.7** | | 117.7 | |
| Assets classfied as held for sale | 9 (b) | **9.8** | | - | |
| | | **793.7** | | 602.3 | |
| **Liabilities** | | | | | |
| **Current liabilities** | | | | | |
| Financial liabilities - borrowings | 16 | **(516.8)** | | (364.4) | |
| Financial liabilities - derivative financial instruments | 17 (b) | **(2.9)** | | (2.4) | |
| Trade and other payables | 14 | **(681.5)** | | (476.9) | |
| Current income tax liabilities | 15 | **(3.6)** | | (0.1) | |
| Provisions for other liabilities and charges | 19 | **(3.6)** | | (1.2) | |
| | | **(1,208.4)** | | (845.0) | |
| **Net current liabilities** | | | **(414.7)** | | (242.7) |
| **Non-current liabilities** | | | | | |
| Financial liabilities - borrowings | 16 | **(1,854.0)** | | (1,689.9) | |
| Financial liabilities - derivative financial instruments | 17 (b) | **(1.5)** | | (1.5) | |
| Trade and other payables | 14 | **(44.9)** | | (41.5) | |
| Deferred tax liabilities | 20 | **(29.6)** | | (22.4) | |
| Retirement benefit obligations | 18 | **(67.2)** | | (61.4) | |
| Provisions for other liabilities and charges | 19 | **(24.2)** | | (21.1) | |
| | | | **(2,021.4)** | | (1,837.8) |
| **Net liabilities** | | | **(937.0)** | | (748.3) |
| **Equity** | | | | | |
| Share capital | 21 | | **20.7** | | 20.7 |
| Other reserves | 22 | | **(34.3)** | | (18.9) |
| Accumulated deficit | 22 | | **(923.4)** | | (745.7) |
| **Total equity attributable to owners of the parent company** | | | **(937.0)** | | (743.9) |
| Non-controlling interests | | | **-** | | (4.4) |
| **Total equity** | | | **(937.0)** | | (748.3) |

The notes on pages 35 to 66 form an integral part of these financial statements.

The financial statements on pages 27 to 66 were approved by the Board of Directors on 29 April 2016 and were signed on its behalf by:

**K McMeikan**
Director

## Company statement of financial position

**At 31 December 2015**

| | Note | 2015 £m | 2015 £m | 2014 £m | 2014 £m |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| **Non-current assets** | | | | | |
| Investments in subsidiaries | 10 | | **778.6** | | 768.5 |
| Financial assets - derivative financial instruments | 17 (b) | | **-** | | 0.4 |
| | | | **778.6** | | 768.9 |
| **Current assets** | | | | | |
| Trade and other receivables | 12 | **1,625.3** | | 1,465.9 | |
| **Liabilities** | | | | | |
| **Current liabilities** | | | | | |
| Financial liabilities - borrowings | 16 | **(786.1)** | | (701.1) | |
| Trade and other payables | 14 | **(166.5)** | | (90.8) | |
| | | **(952.6)** | | (791.9) | |
| **Net current assets** | | | **672.7** | | 674.0 |
| **Non-current liabilities** | | | | | |
| Financial liabilities - borrowings | 16 | **(1,710.8)** | | (1,521.7) | |
| Financial liabilities - derivative financial instruments | 17 (b) | **(1.5)** | | (1.5) | |
| Trade and other payables | 14 | **(31.4)** | | (27.8) | |
| | | | **(1,743.7)** | | (1,551.0) |
| **Net liabilities** | | | **(292.4)** | | (108.1) |
| **Equity** | | | | | |
| Share capital | 21 | | **20.7** | | 20.7 |
| Equity reserve | 22 | | **(35.7)** | | - |
| Retained earnings | 22 | | **(277.4)** | | (128.8) |
| **Total equity** | | | **(292.4)** | | (108.1) |

The notes on pages 35 to 66 form an integral part of these financial statements.

The financial statements on pages 27 to 66 were approved by the Board of Directors on 29 April 2016 and were signed on its behalf by:

**K McMeikan**
Director

Company registration number: 06279225

## Cucina Acquisition (UK) Limited
**Annual report and financial statements**
**For the year ended 31 December 2015**

### Consolidated statement of changes in equity

| | Note | Share capital £m | Other reserves £m | Accumulated deficit £m | Total £m | Non-controlling interests £m | Total equity £m |
|---|---|---|---|---|---|---|---|
| | | Attributable to owners of the parent company | | | | | |
| **Balance at 1 January 2014** | | 20.7 | (28.2) | (563.8) | (571.3) | (5.3) | (576.6) |
| **Comprehensive income** | | | | | | | |
| Loss | | - | - | (171.6) | (171.6) | 1.9 | (169.7) |
| **Other comprehensive income / (expense)** | | | | | | | |
| Currency translation differences | 22 | - | 11.2 | - | 11.2 | - | 11.2 |
| Cash flow hedges | 22 | - | (2.4) | - | (2.4) | - | (2.4) |
| Taxation on cash flow hedges | 20 | - | 0.5 | - | 0.5 | - | 0.5 |
| Actuarial losses on defined benefit pension scheme | 18 | - | - | (13.0) | (13.0) | (1.0) | (14.0) |
| Taxation on items taken directly to other comprehensive income | 5 | - | - | 2.7 | 2.7 | - | 2.7 |
| Total other comprehensive income / (expense) | | - | 9.3 | (10.3) | (1.0) | (1.0) | (2.0) |
| **Total comprehensive income / (expense)** | | - | 9.3 | (181.9) | (172.6) | 0.9 | (171.7) |
| **Balance at 1 January 2015** | | 20.7 | (18.9) | (745.7) | (743.9) | (4.4) | (748.3) |
| **Comprehensive income** | | | | | | | |
| Loss | | - | - | (182.9) | (182.9) | 4.9 | (178.0) |
| **Other comprehensive income / (expense)** | | | | | | | |
| Currency translation differences | 22 | - | 0.2 | - | 0.2 | - | 0.2 |
| Cash flow hedges | 22 | - | - | - | - | - | - |
| Taxation on cash flow hedges | 20 | - | - | - | - | - | - |
| Actuarial gains on defined benefit pension scheme | 18 | - | - | 6.9 | 6.9 | 0.2 | 7.1 |
| Taxation on items taken directly to other comprehensive income | 5 | - | - | (1.7) | (1.7) | - | (1.7) |
| Total other comprehensive income | | - | 0.2 | 5.2 | 5.4 | 0.2 | 5.6 |
| **Total comprehensive income / (expense)** | | - | 0.2 | (177.7) | (177.5) | 5.1 | (172.4) |
| Adjustments arising from change in non-controlling interest | | - | (15.6) | - | (15.6) | (0.7) | (16.3) |
| **Balance at 31 December 2015** | | **20.7** | **(34.3)** | **(923.4)** | **(937.0)** | **-** | **(937.0)** |

The notes on pages 35 to 66 form an integral part of these financial statements.

### Company statement of changes in equity

| | Attributable to owners of the parent company | | | |
|---|---|---|---|---|
| | Share capital £m | Equity reserve £m | (Accumulated deficit) / retained earnings £m | Total equity £m |
| **Balance at 1 January 2014** | 20.7 | - | 15.9 | 36.6 |
| **Comprehensive expense** | | | | |
| Loss | - | - | (144.7) | (144.7) |
| **Balance at 1 January 2015** | **20.7** | **-** | **(128.8)** | **(108.1)** |
| **Comprehensive expense** | | | | |
| Loss | - | - | (148.6) | (148.6) |
| Adjustments arising from change in non-controlling interest | - | (35.7) | - | (35.7) |
| **Balance at 31 December 2015** | **20.7** | **(35.7)** | **(277.4)** | **(292.4)** |

The notes on pages 35 to 66 form an integral part of these financial statements.

## Consolidated statement of cash flows

**For the year ended 31 December 2015**

| | Note | **2015** £m | **2015** £m | 2014 £m | 2014 £m |
|---|---|---|---|---|---|
| **Cash flows from operating activities** | | | | | |
| Cash generated from operations | 23 | | **145.5** | | 123.9 |
| **Analysed as:** | | | | | |
| Cash generated from operations before exceptional items | | | **192.3** | | 153.2 |
| Exceptional items | | | **(46.8)** | | (29.3) |
| Interest paid | | | **(60.5)** | | (57.6) |
| Income tax paid | | | **(4.0)** | | (4.5) |
| **Net cash generated from operating activities** | | | **81.0** | | 61.8 |
| **Cash flows from investing activities** | | | | | |
| Purchase of property, plant and equipment | | **(50.8)** | | (43.0) | |
| Purchase of intangible assets | | **(12.3)** | | (15.7) | |
| Sale of property, plant and equipment | | **4.5** | | 4.5 | |
| Proceeds from sale and leaseback of property, plant and equipment | | **3.0** | | - | |
| Acquisition of subsidiaries, net of cash acquired | | **(26.9)** | | - | |
| **Net cash used in investing activities** | | | **(82.5)** | | (54.2) |
| **Cash flows from financing activities** | | | | | |
| Proceeds on issue of shares in subsidiary undertaking | | **0.4** | | - | |
| Loans to parent undertakings | | **-** | | (0.3) | |
| Transaction costs arising on obtaining debt finance | | **(16.8)** | | (8.2) | |
| Proceeds from borrowings | | **342.9** | | 404.8 | |
| Repayment of borrowings | | **(277.3)** | | (402.1) | |
| Finance lease capital repayments | | **(14.7)** | | (13.3) | |
| **Net cash generated from / (used in) financing activities** | | | **34.5** | | (19.1) |
| **Net increase / (decrease) in cash and cash equivalents** | | | **33.0** | | (11.5) |
| Cash and cash equivalents at 1 January | | | **117.7** | | 134.0 |
| Effects of exchange rate changes | | | **(1.0)** | | (4.8) |
| **Cash and cash equivalents at 31 December** | 13 | | **149.7** | | 117.7 |

The notes on pages 35 to 66 form an integral part of these financial statements.

### Company statement of cash flows

**For the year ended 31 December 2015**

| | Note | **2015** £m | **2015** £m | 2014 £m | 2014 £m |
|---|---|---|---|---|---|
| **Cash flows from operating activities** | | | | | |
| Cash generated from operations | 23 | | | | - |
| Interest paid | | | **(52.3)** | | (49.7) |
| **Net cash used in operating activities** | | | **(52.3)** | | (49.7) |
| **Cash flows from financing activities** | | | | | |
| Loans from group undertakings | | **(33.5)** | | 51.4 | |
| Transaction costs arising on obtaining debt finance | | **(15.0)** | | (8.2) | |
| Proceeds from borrowings | | **322.9** | | 382.2 | |
| Repayment of borrowings | | **(222.1)** | | (375.7) | |
| **Net cash received from financing activities** | | | **52.3** | | 49.7 |
| **Net increase in cash and cash equivalents** | | | **-** | | - |
| Cash and cash equivalents at 1 January | | | **-** | | - |
| **Cash and cash equivalents at 31 December** | | | **-** | | - |

The notes on pages 35 to 66 form an integral part of these financial statements.

## Notes to the financial statements

### 1. Accounting policies

**General information**
These financial statements are the consolidated financial statements of Cucina Acquisition (UK) Limited (“the Group”) and the parent company financial statements of Cucina Acquisition (UK) Limited ("the Company") for the year ended 31 December 2015. These Group consolidated financial statements were authorised for issue by the Board of Directors on 29 April 2016.

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

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

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

At the year end, the Group had net liabilities amounting to £937.0m (2014: £748.3m) and the Company had net liabilities amounting to £292.4m (2014: £108.1m). The Company is part of a financing group of companies and therefore the going concern of the company is dependent upon the overall going concern of the group. In assessing whether the financial statements for the Group and Company should be prepared on the going concern basis, the directors have therefore considered the future outlook of the Company and of the Group on a combined basis and have sought assurances from the largest UK parent company, Cucina Lux Investments Limited. A fuller analysis of this outlook and the basis for this assessment is set out in the financial statements of the largest UK parent company, Cucina Lux Investments Limited. Having considered the future operating profits, cash flows and facilities available to the Group, the directors are satisfied that the Group will have sufficient funds to repay its liabilities as they fall due. On this basis the directors consider it appropriate to prepare the consolidated and parent financial statements on the going concern basis.

*Adoption of new and revised Standards*
At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective (and in some cases had not yet been adopted by the EU):

- IFRS 9 — Financial Instruments
- IFRS 15 — Revenue
- IFRS 16 — Leases
- IAS 1 (amendments) — Disclosure Initiative
- IAS 16 (amendments) — Property, Plant and Equipment
- IAS 27 (amendments) — Investment Entities
- IAS 38 (amendments) — Intangible Assets
- IAS 39 (amendments) — Novation of Derivatives and Continuation of Hedge Accounting
- IFRIC Interpretation 21 — Levies
- Various amendments resulting from Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle
- Various amendments resulting from 2014 Annual Improvements to IFRSs

Except as follows, the directors do not expect that the adoption of the Standards and Interpretations listed above will have a material impact on the financial statements of the Group in future periods:

- IFRS 9, which will impact both the measurement and disclosures of Financial Instruments;
- IFRS 15, in respect of which it is not practicable to provide a reasonable estimate of the effect of this standard until a detailed review has been completed.
- IFRS 16, in respect of which it is not practicable to provide a reasonable estimate of the effect of this standard until a detailed review has been completed.

**Basis of consolidation**
(a) Subsidiaries
These consolidated financial statements consolidate the financial statements of the Company and all its subsidiary undertakings. Subsidiaries include structured entities where the substance of the relationship between the Group and the structured entity indicates that it is controlled by the Group. Subsidiaries are all entities (including structured entities) over which the Group has control. Control is achieved when the Group has power over the investee; is exposed, or has rights, to variable return from its involvement with the investee; and has the ability to use its power to affect its returns. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

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

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

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

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

Non-controlling interests in subsidiaries are identified separately from the Group’s equity therein. Those interests of non-controlling shareholders that are present ownership interests entitling their holders to a proportionate share of net assets upon liquidation may initially be measured at fair value or at the non-controlling interests’ proportionate share of the fair value of the acquiree’s identifiable net assets. The choice of measurement is made on an acquisition-by-acquisition basis. Other non-controlling interests are initially measured at fair value. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests’ share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

### Notes to the financial statements

**1. Accounting policies (continued)**

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

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

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

(d) Employee Benefit Trust
The Cucina Employee Benefit Trust (EBT) acts as a 'warehouse', holding shares and loan notes for any future management investment in the share capital and loan notes of Cucina Investments (UK) 3 Limited, the Company's subsidiary undertaking. The EBT is controlled by the Company, it is therefore included within the consolidated results of the Group in accordance with IFRS 10 ("Consolidated Financial Statements").

(e) Brakes Capital
During 2013, Brakes Capital, a company incorporated with limited liability in the Cayman Islands, was established as an independent, stand-alone special purpose vehicle whose principal purpose was to issue Senior Notes and lend the proceeds to the Group. In accordance with IFRS 10 ("Consolidated Financial Statements"), Brakes Capital is included within the consolidated results of the Group.

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

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

**Buying income**
Buying income is received from suppliers as a discount against the cost of products and services purchased. Discounts can take the form of banded overriders earned on purchase levels, marketing income, or product specific rebates. The credit is recognised in the income statement either against direct puchase cost or other costs and inventory is revalued to reflect the lower value after discount. Buying income is invoiced to or credited from suppliers throughout the year, and at the year end any remaining receivable is recorded in line with supplier arrangement terms and management estimates based on confirmations from suppliers and contracts.

**Exceptional items**
Where items of income and expense included in the consolidated income statement, including losses in respect of businesses exited or being exited are considered to be material and outside the normal course of business, separate disclosure of their nature and amount is provided in the consolidated financial statements. These items are classified as exceptional items. The Group considers the size and nature of an item both individually and when aggregated with similar items, when considering whether it is material.

## Notes to the financial statements

**1. Accounting policies (continued)**

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

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

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

No depreciation is provided on freehold land.

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

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

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

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

**Non-current assets held for sale**
Non-current assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Non-current assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to take place within one year from the date of reclassification.

**Investments in subsidiaries**
Investments in subsidiaries held as non-current assets are accounted for at cost less any provision for impairment in value. If the directors consider that the fair value of investments in subsidiaries are below their carrying value then a provision for impairment would be made.

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

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

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

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

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

*(c) Customer contracts and relationships*
Customer contracts and relationships are acquired separately or as part of a business combination.

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

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

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

*(d) Brands*
Brands are acquired separately or as part of a business combination.

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

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

Brands are amortised on a straight-line basis over their expected useful economic lives, which are considered to range from 10 to 25 years. These are assumed to have no residual value at the end of their expected useful economic life.

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

### Notes to the financial statements

**1. Accounting policies (continued)**

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

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

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

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

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

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

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

**Employee benefits**
*Management incentive plans*
In the UK certain employees of Fresh Direct are part of a management incentive scheme which falls within IAS 19 'Employee Benefits'. There scheme is based upon the performance of the Fresh Direct Group. Any liability arising during the year resulting from an increase of value of the scheme would be included within the income statement.

*Retirement benefit obligations*
The Group has both defined benefit and defined contribution pension plans.

*Defined benefit pension plans*
Following the amendment to IAS 19 'Employee Benefits' issued in December 2004 and subsequently revised in June 2011, the Group has adopted an accounting policy whereby actuarial gains and losses for defined benefit pension schemes are taken through the consolidated statement of comprehensive income in full each year, and the full deficit on an IAS 19 basis is included within the consolidated statement of financial position.

In the UK the Group operates a defined benefit funded pension scheme covering a number of its employees. The scheme is a contracted out defined benefit scheme, providing final salary related benefits accrued for each year of service. The scheme was made fully paid up at 31 December 2003 and no further benefits are accruing to members subsequent to this date. In addition, in Brakes Continental Europe Division and Sweden the Group is liable for certain post employment benefits which meet the criteria of a defined benefit plan. These obligations are of an unfunded nature.

The charge in the consolidated income statement in respect of the defined benefit pension plans comprises a net interest expense / income calculated as the product of the net defined benefit liability / asset and the discount rate as determined at the beginning of the year. The net interest expense / income is recognised in finance costs / income. Past-service costs are recognised immediately in income.

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

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

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

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

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

### Notes to the financial statements

**1. Accounting policies (continued)**

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

**Leases**
Leases in which substantially all of the risks and rewards of ownership are transferred to the Group are classified as finance leases. Assets acquired under finance leases are included in the consolidated statement of financial position as property, plant and equipment at their fair value, or if lower, the present value of the minimum lease payments, each determined at the inception of the lease and are depreciated over the shorter of their useful lives and the lease term. The capital element of future rentals is treated as a liability. Rentals are apportioned between reductions of the respective liabilities and finance charges, which are dealt with under finance costs in the consolidated income statement.

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

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

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

The income statements of foreign subsidiary companies are translated into sterling at monthly average exchange rates for the Euro and Swedish Krona at 1.38 (2014: 1.24) and 12.89 (2014: 11.27) respectively and the statements of financial position are translated at the exchange rates ruling at the date of the statements of financial position being 1.36 (2014: 1.29) for Euros and 12.46 (2014: 12.21) for Swedish Krona. On consolidation, exchange differences arising from the translation of the net investment in foreign subsidiaries, and of borrowings designated as hedges of such investments, are taken to shareholders' equity. These exchange differences are disclosed as a separate component of shareholders' equity within other reserves.

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

**Borrowings and finance costs**
Borrowings are recognised initially at fair value (being the issue proceeds), less attributable transaction costs.

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

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

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

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

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

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

**Derivative financial instruments**
The Group uses derivative financial instruments, principally commodity swaps to hedge the diesel price and interest rate caps to manage the interest rate risk on interest payments. The Group does not use derivative financial instruments for speculative purposes.

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

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

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

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

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

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

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

## Notes to the financial statements

**1. Accounting policies (continued)**

**Derivative financial instruments (continued)**
*(b) Net investment hedge*
Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges.

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

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

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

**Share based payments**
The Group operates a management incentive plan where certain employees can subscribe for share capital and loan notes in the parent undertaking Cucina Investment (UK) 3 Limited. The Group determines the fair value of equity instruments granted to employees at the date of the grant. Vesting conditions, other than market conditions, are not taken into account when estimating the fair value. Non-market vesting conditions are included in assumptions about the number options that are expected to vest. If material, the Group would recognise an amount within employee benefit expense in the consolidated income statement during the vesting period based on the expected number of equity instruments which will vest.

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

(a) Impairment review of goodwill
The Group tests annually whether goodwill has suffered any impairment loss, in accordance with the accounting policy stated above. The recoverable amounts of cash-generating units (CGUs) have been determined based on value-in-use calculations. These calculations require the use of estimates in relation to future cash flows and suitable discount rates as disclosed in note 7 to the financial statements. Actual outcomes could vary from these estimates.

A sensitivity analysis has been performed on the key assumptions used for assessing the goodwill. The directors have concluded that there is no impairment beacuse they have headroom of recoverable amounts in excess of carrying values and it is considered that there are no reasonably possible changes in key assumptions which would cause the carrying amount of goodwill to exceed its value-in-use.

(b) Impairment review of brands and customer contracts and relationships
In addition to testing annually whether goodwill has suffered any impairment the Group also tests annually for brands and customer contracts and relationships to see if they have suffered any impairment.

A sensitivity analysis has been performed on the key assumptions used for assessing the brands and customer contracts and relationships. The directors have concluded that for the UK and Ireland, BCED and Sweden there is no impairment beacuse they have headroom of recoverable amounts in excess of carrying values and it is considered that there are no reasonably possible changes in key assumptions which would cause the carrying amount of brands and customer contracts and relationships to exceed the value-in-use.

(c) Employee benefits – defined pension obligation
One of the key assumptions used in determining the valuation at 31 December 2015 is the UK discount rate of 3.8%. Whilst the directors consider that the adoption of a 3.8% discount rate is appropriate if the rate used had been 0.2% higher or lower the retirement benefit obligation would have been approximately £8.1m lower or higher. Another key assumption used in determining the valuation is the mortality assumption. If the average life expectancy in years of pensioner retiring was 1 year higher or lower than that used in the valuation the retirement benefit obligation would have been approximately £7.1m higher or lower.

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

A deferred tax asset of £7.5m is recognised in respect of certain UK tax losses. The key assumption used in recognition of this asset is based upon a track record of generating taxable profits over the past five years and management's forecasts for taxable profits for the next five years, and the assumption that the losses will be available for utilisation. If the tax losses were subsequently found not to be available for utilisation against taxable profits then the deferred tax asset would no longer be recognised and there would be a charge of £7.5m in income taxes in the consolidated income statement.

(e) Funding, liquidity, going concern and covenant compliance
The Group actively maintains a mixture of long-term and short-term facilities that are designed to ensure the Group has sufficient available funds for operations and planned expansions. Management monitors rolling forecasts of the Group's liquidity reserve (comprises undrawn borrowing facility and cash and cash equivalents) on the basis of expected cash flow. The Group maintains liquidity through available cash reserves and undrawn committed borrowing facilities available primarily through its Senior Facilities Agreements. The senior banks monitor the Group's performance through quarterly covenant tests, with the Group reporting headroom on all covenant testing during the year ended 31 December 2015 and with management forecasts indicating continued covenant headroom throughout 2016.

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

(f) Exceptional cost policy
The Group's accounting policy for exceptional items requires items of income and expense that are considered to be material and outside the normal course of business to be disclosed separately in the financial statements. Determining which items meet this definition requires judgement, particularly in relation to employee and other costs which require classification between exceptional items and those incurred in the normal course of business. Note 3 to the financial statements describes the nature of the Group's exceptional items. Certain employee costs within Business Change and transitional dual running costs incurred within the Restructuring of the UK Distribution Network require the most degree of judgement.

(g) Business combinations
The recognition of business combinations requires the excess of the purchase price of acquisitions over the net book value of assets acquired to be allocated to the assets and liabilities of the acquired entity. The Group makes judgements and estimates in relation to the fair value allocation of the purchase price. If any unallocated portion is positive it is recognised as goodwill and if negative, it is recognised in the income statement.

### Notes to the financial statements

#### 2. Segmental reporting

The Group's reporting segments are determined based on the Group's internal reporting to the Group Chief Executive Officer who is considered to be the chief operating decision maker. The principal activitiy of the Group is the wholesale distribution of food and related products that are similar in nature and sold to similar customers by:

- the UK and Ireland;
- Brakes Continental Europe Division ("BCED"); and
- Sweden

Revenue from operating segments is measured on a basis consistent with the income statement. All revenue is generated by the sale of goods and services.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

The Group Chief Executive Office assesses the performance of all segments on the basis of EBITDA (earnings before interest, taxation, depreciation, amortisation, impairment of intangible assets and exceptional items). The reconciliation provided below reconciles EBITDA from each of the segments disclosed to operating profit.

**Reportable segments**

| For the year ended 31 December 2015 | UK and Ireland £m | BCED £m | Sweden £m | Total £m | Eliminations £m | Group £m |
|---|---|---|---|---|---|---|
| Revenue - external customers | 2,267.7 | 591.5 | 435.8 | 3,295.0 | - | 3,295.0 |
| Inter-segmental revenue | 10.7 | 2.3 | - | 13.0 | (13.0) | - |
| EBITDA | 131.7 | 23.9 | 15.5 | 171.1 | - | 171.1 |
| *Less:* | | | | | | |
| - exceptional items | | | | (57.8) | - | (57.8) |
| - depreciation | | | | (42.2) | - | (42.2) |
| - amortisation and impairment of intangibles | | | | (51.9) | - | (51.9) |
| Operating profit | 131.7 | 23.9 | 15.5 | 19.2 | - | 19.2 |
| Finance costs | | | | | | (205.1) |
| Finance income | | | | | | 2.1 |
| **Loss before tax** | | | | | | (183.8) |
| Income tax income | | | | | | 5.8 |
| **Loss for the year** | | | | | | (178.0) |
| Segment assets | 1,517.2 | 441.9 | 111.9 | 2,071.0 | - | 2,071.0 |
| Unallocated assets | | | | | | |
| - amounts owed by parent undertakings | | | | | | 72.1 |
| - cash and cash equivalents | | | | | | 149.7 |
| **Total assets** | | | | | | 2,292.8 |
| Segment liabilities | 527.6 | 152.0 | 90.9 | 770.5 | - | 770.5 |
| Unallocated liabilities | | | | | | |
| - financial liabilities (derivative financial instruments) | | | | | | 4.4 |
| - current tax liabilities | | | | | | 3.6 |
| - deferred tax liabilities | | | | | | 29.6 |
| - amounts owed to parent undertakings | | | | | | 38.8 |
| - other payables | | | | | | 12.1 |
| - corporate borrowings | | | | | | 2,370.8 |
| **Total liabilities** | | | | | | 3,229.8 |
| **Other segment items:** | | | | | | |
| Additions to non-current assets | 56.9 | 14.1 | 2.3 | 73.3 | - | 73.3 |
| Depreciation | 30.4 | 9.8 | 2.0 | 42.2 | - | 42.2 |
| Property, plant and equipment impairment loss | 2.3 | - | - | 2.3 | - | 2.3 |
| Amortisation of intangible assets | 43.9 | 4.1 | 1.4 | 49.4 | - | 49.4 |
| Impairment of intangible assets | 2.5 | - | - | 2.5 | - | 2.5 |
| Impairment of trade receivables | 0.6 | 1.2 | 0.8 | 2.6 | - | 2.6 |

## Cucina Acquisition (UK) Limited
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**Notes to the financial statements**

**2. Segmental reporting (continued)**

| For the year ended 31 December 2014 | UK and Ireland £m | BCED £m | Sweden £m | Total £m | Eliminations £m | Group £m |
|---|---|---|---|---|---|---|
| Revenue - external customers | 2,109.4 | 537.4 | 447.4 | 3,094.2 | - | 3,094.2 |
| Inter-segmental revenue | 9.5 | - | - | 9.5 | (9.5) | - |
| EBITDA | 115.4 | 21.7 | 13.1 | 150.2 | - | 150.2 |
| *Less:* | | | | | | |
| - exceptional items | | | | (39.7) | - | (39.7) |
| - depreciation | | | | (35.1) | - | (35.1) |
| - amortisation | | | | (59.5) | - | (59.5) |
| Segment operating profit | | | | 15.9 | - | 15.9 |
| Finance costs | | | | | | (195.7) |
| Finance income | | | | | | 0.6 |
| Loss before tax | | | | | | (179.2) |
| Income tax income | | | | | | 9.5 |
| Loss for the year | | | | | | (169.7) |
| Segment assets | 1,408.3 | 227.9 | 109.8 | 1,746.0 | - | 1,746.0 |
| Unallocated assets | | | | | | |
| - financial assets (derivative financial instruments) | | | | | | 0.4 |
| - amounts owed by parent undertakings | | | | | | 70.4 |
| - cash and cash equivalents | | | | | | 117.7 |
| Total assets | | | | | | 1,934.5 |
| Segment liabilities | 403.3 | 68.9 | 86.2 | 558.4 | - | 558.4 |
| Unallocated liabilities | | | | | | |
| - financial liabilities (derivative financial instruments) | | | | | | 3.9 |
| - current tax liabilities | | | | | | 0.1 |
| - deferred tax liabilities | | | | | | 22.4 |
| - amounts owed to parent undertakings | | | | | | 34.8 |
| - other payables | | | | | | 8.9 |
| - corporate borrowings | | | | | | 2,054.3 |
| Total liabilities | | | | | | 2,682.8 |
| Other segment items: | | | | | | |
| Additions to non-current assets | 62.4 | 12.0 | 3.8 | 78.2 | - | 78.2 |
| Depreciation | 24.2 | 8.7 | 2.2 | 35.1 | - | 35.1 |
| Property, plant and equipment impairment loss | 2.3 | - | - | 2.3 | - | 2.3 |
| Amortisation of intangible assets | 47.3 | 5.0 | 1.6 | 53.9 | - | 53.9 |
| Impairment of intangible assets | 5.7 | - | - | 5.7 | - | 5.7 |
| Impairment of trade receivables | - | 1.2 | 0.4 | 1.6 | - | 1.6 |

Allocated segment assets comprise goodwill £850.7m (2014: £814.6m), intangible assets £311.4m (2014: £299.6m), property, plant and equipment £337.0m (2014: £217.6m), inventories £179.8m (2014: £124.1m), trade and other receivables £382.3m (2014: £290.1m) and assets classified as held for sale of £9.8m (2014: £nil).

Allocated segment liabilities comprise trade and other payables and of £675.5m (2014: £474.7m), provisions for other liabilities and charges of £27.8m (2014: £22.3m) and retirement benefit obligations of £67.2m (2014: £61.4m).

**Entity-wide disclosures**

| **Segment non-current assets** | **2015 £m** | 2014 £m |
|---|---|---|
| UK and Ireland | **1,196.9** | 1,138.1 |
| BCED | **262.5** | 153.4 |
| Sweden | **39.7** | 40.3 |
| Total segment assets | **1,499.1** | 1,331.8 |
| Unallocated assets | **-** | 0.4 |
| **Consolidated total non-current assets** | **1,499.1** | 1,332.2 |

**Notes to the financial statements**

**3. Operating profit**

| | **2015** | 2014 |
|---|---|---|
| | **£m** | £m |
| Revenue | **3,295.0** | 3,094.2 |
| Direct purchase cost | **(2,461.9)** | (2,352.2) |
| Trading profit | **833.1** | 742.0 |
| Distribution and selling costs | **(613.4)** | (539.1) |
| Gross profit | **219.7** | 202.9 |
| Administrative expenses | **(90.8)** | (87.8) |
| Exceptional items (see note below) | **(57.8)** | (39.7) |
| Amortisation of intangible assets | **(49.4)** | (53.9) |
| Impairment of intangible assets | **(2.5)** | (5.6) |
| Total administrative expenses | **(200.5)** | (187.0) |
| Group operating profit | **19.2** | 15.9 |

| Operating profit is arrived at after charging / (crediting): | **£m** | £m |
|---|---|---|
| Employee costs (note 25) | **404.4** | 354.3 |
| Inventories | | |
| - cost of inventories recognised as an expense (included in direct purchase cost) | **2,449.3** | 2,344.0 |
| - write downs and losses incurred in the year | **8.6** | 4.0 |
| Amortisation of intangible assets | **49.4** | 53.9 |
| Impairment of intangible assets | **2.5** | 5.7 |
| Depreciation of property, plant and equipment | | |
| - owned assets | **29.2** | 22.9 |
| - assets held under finance leases | **13.0** | 12.2 |
| Property, plant and equipment impairment loss | **2.3** | 2.3 |
| (Profit) / loss on sale of property, plant and equipment | **(0.6)** | 2.3 |
| Other operating lease rentals payable | | |
| - plant and machinery | **14.3** | 13.3 |
| - property | **24.9** | 25.2 |
| Repairs and maintenance expenditure on property, plant and equipment | **33.8** | 29.8 |
| Trade receivables impairment | **2.6** | 1.6 |

| **Exceptional items** | | |
|---|---|---|
| Business change costs | **5.8** | 6.4 |
| Business exit costs | **0.3** | 13.2 |
| Restructuring of the UK distribution network | **21.9** | 14.7 |
| Other UK restructuring and other costs | **6.2** | 2.3 |
| Brake France Service SAS restructuring costs | **0.5** | 0.7 |
| Menigo Foodservice AB restructuring costs | **0.1** | 0.7 |
| Financial instruments | **5.4** | - |
| Transaction costs | **17.6** | 1.7 |
| Total exceptional items | **57.8** | 39.7 |

*Business change costs*
Business change costs relate to two specific change programmes across the Group; one related to the implementation of multiple-temperature services across the UK and the second being a restructuring and outsourcing of the IT service delivery model. In both 2014 and 2015, costs relate to fees paid to external consultants advising on both programmes and salary costs of the dedicated internal implementation teams. The change programmes are anticipated to complete in 2017 at which point these costs will cease to be incurred. Such costs have been presented in the 'Exceptional items' line in the income statement as they are considered outside of the normal course of business and to assist in a better understanding of the trading and financial results of the Group.

*Business exit costs*
Business exit costs consist of provisions for onerous leases, asset impairments, redundancies and other cost / losses relating to business lines exited. In 2014, these costs related to the exit of manufacturing operations in Flint and Torquay and the exit of operations in South East London, including the losses associated with these businesses to ensure that Adjusted EBITDA reflected the ongoing base business of the Group. In 2015, further costs associated with closure of operations in South East London were incurred. Included within this amount for the year ended 31 December 2014 was a property provision of £2.0m, the amount remaining on the statement of financial position at 31 December 2015 in relation to this was £1.7m (2014: £2.0m).

*Restructuring of the UK distribution network*
The Group is in the process of undergoing a large scale strategic five-year reorganisation programme initiated in 2012 and expected to conclude in 2016. The programme involves a substantial overhaul of the distribution network and restructuring of the information systems' infrastructure amongst other smaller projects. The Group has incurred significant costs on dedicated teams recruited to manage the programme implementation and transitional dual running costs incurred during the course of transferring volumes from closing sites to new sites and associated provision for onerous contracts and other liabilities. These costs will cease to be incurred upon the conclusion of the programme. Such costs have been presented in the 'Exceptional items' line in the income statement as they are considered outside of the normal course of business and to assist in a better understanding of the trading and financial results of the Group. Included within this amount for the year ended 31 December 2015 is a property provision release of £1.3m (2014: property provision £1.4m), there was no amount remaining on the statement of financial position at 31 December 2015 in relation to this (2014: £1.3m).

*Other UK restructuring and other costs*
Other UK restructuring costs of £6.2m (2014: £2.3m) primarily relate to redundancy costs incurred from permanent headcount reductions (other than those incurred in relation to the UK distribution network described above) and asset impairments relating to certain properties held for sale. These costs are considered outside of the normal course of business. Included within this amount for the year ended 31 December 2015 is a property provision of £0.6m (2014: £nil), the amount remaining on the statement of financial position at 31 December 2015 in relation to this was £0.6m (2014: £nil).

*Brake France Service SAS restructuring costs*
Brake France Service SAS incurred restructuring costs in relation to roles permanently removed from the business during the year and other restructuring costs.

*Menigo Foodservice AB restructuring costs*
Menigo Foodservice AB incurred restructuring costs in relation to roles permanently removed from the business during the year and other restructuring costs.

*Financial instruments*
Financial instrument costs are for the increase in the cost of a put liability since the date of completion of the Fresh Direct acquisition (see note 24 to the financial statements for further details).

*Transaction costs*
Transaction costs are for professional and legal fees incurred by advisors acting on behalf of the Group and include the costs associated with both the Fresh Direct and Davigel acquisitions as well as costs of considering the future strategic options for the Group. £14.0m of the costs related to the Fresh Direct and Davigel acquisition and these included legal, commercial, strategic and financial due diligence. £3.6m of costs were incurred in respect of considering the future strategic options for the Group. In 2014 the charges in respect of transactions costs arose from previous acquisitions and for fees for considering market opportunities.

The tax effect in the income statement of exceptional items is a credit in respect of current overseas taxation of £0.2m (2014: £0.3m credit).

### Notes to the financial statements

#### 3. Operating profit (continued)

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

Fees payable to the Company's auditor and its associates for the audit of the parent company and consolidated financial statements amounted to £9,000 (2014: £9,000). Fees payable to the Company's auditor and its associates for other services are detailed as follows:

| Other services: | 2015<br>£m | 2014<br>£m |
|---|---|---|
| The audit of the company's parent and subsidiary undertakings | **0.5** | 0.3 |
| Tax compliance service | **0.1** | 0.1 |
| Other non-audit services | **1.3** | 0.1 |
| | **1.9** | 0.5 |

#### 4. Finance costs - net

| | 2015<br>£m | 2014<br>£m |
|---|---|---|
| **Finance costs:** | | |
| Bank loans | **(5.2)** | (4.6) |
| Senior bank loans | **(26.4)** | (31.8) |
| Senior notes | **(37.7)** | (29.1) |
| Payment-in-kind loan owed to parent undertaking | **(25.7)** | (24.0) |
| Shareholder loan owed to parent undertaking | **(94.0)** | (81.9) |
| Davigel preference share dividends | **(0.6)** | - |
| Other loans owed to parent undertaking | **(1.2)** | (1.2) |
| Other loans and charges | **(1.5)** | (1.2) |
| Amortisation of debt issue costs | **(7.3)** | (9.7) |
| Finance leases | **(3.2)** | (2.3) |
| Net interest on net defined benefit liability | **(2.0)** | (2.0) |
| Foreign exchange losses on financing activities | **-** | (6.7) |
| Fair value losses from interest rate swaps and interest rate caps with deferred premiums | **(0.3)** | (1.2) |
| Total finance costs | **(205.1)** | (195.7) |
| **Finance income:** | | |
| Interest income on short term deposits | **0.5** | 0.5 |
| Other interest income | **-** | 0.1 |
| Foreign exchange gains on financing activities | **1.6** | - |
| Total finance income | **2.1** | 0.6 |
| **Finance costs - net** | **(203.0)** | (195.1) |

#### 5. Income tax credit

| **The taxation credit is based on the loss for the year and comprises:** | 2015<br>£m | 2014<br>£m |
|---|---|---|
| Current tax | | |
| - Current year group relief credit | **(0.6)** | (1.0) |
| - Adjustments in respect of previous years | **(0.3)** | (1.3) |
| - Overseas taxation | **7.6** | 3.6 |
| Deferred taxation | | |
| - origination and reversal of temporary differences | **(7.3)** | (7.7) |
| - adjustments to deferred taxation in respect of previous years | **(3.7)** | 2.6 |
| - recognition in respect of previous years tax losses | **(0.8)** | (5.2) |
| - impact of change in UK tax rate | **-** | (0.1) |
| - overseas deferred taxation | **(0.7)** | (0.4) |
| **Income tax income** | **(5.8)** | (9.5) |

### Notes to the financial statements

#### 5. Income tax credit (continued)

A reconciliation of the total tax credit for the year compared to the effective standard rate of corporation tax is summarised below:

| | £m | £m |
|---|---|---|
| Loss on ordinary activities before tax | **(183.8)** | (179.2) |
| At 20.25% (2014: 21.5%) | **(37.2)** | (38.5) |
| Effects of: | | |
| Tax losses not giving rise to current year relief | **10.1** | 15.7 |
| Adjustments in respect of previous years | **(0.3)** | (1.3) |
| Adjustments to deferred taxation in respect of previous years | **(3.7)** | 2.6 |
| Recognition in respect of previous years tax losses | **(0.8)** | (5.2) |
| Re-measurement of deferred tax - change in the UK tax rate | **-** | (0.1) |
| Finance costs on shareholder loan owed to parent undertaking | **18.0** | 16.5 |
| Expenses not deductible for tax purposes and other adjustments | **8.1** | 0.8 |
| **Tax credit** | **(5.8)** | (9.5) |

The standard rate of corporation tax in the UK reduced from 21% to 20% with effect from 1 April 2015 resulting in an effective rate for the financial year of 20.25%.

Further reductions to the UK and French corporation tax rates were enacted by 31 December 2015. The changes in UK the corporation tax rate will be to reduce the rate by 1% to 19% from 1 April 2017 and by a further 1% to 18% from 1 April 2020. In France the tax rate will reduce from 38.0% to 34.43% from 1 January 2017.

In addition to the amount charged to the income statement, the following amounts relating to tax have been recognised in other comprehensive income.

| | **2015** | 2014 |
|---|---|---|
| | **£m** | £m |
| **Current tax** | | |
| *Items that will not be reclassified to profit or loss:* | | |
| Overseas taxation on retirement benefit obligation actuarial gains and losses | **(0.2)** | 0.3 |
| **Deferred tax** | | |
| *Items that will not be reclassified to profit or loss:* | | |
| Deferred tax on retirement benefit obligation actuarial gains and losses | **1.9** | (3.0) |
| *Items that may not be reclassified to profit or loss:* | | |
| Deferred tax on cash flow hedges (see note 20) | **-** | (0.5) |
| | **1.7** | (3.2) |

#### 6. Result of the Parent Company for the financial year

The Company has taken advantage of Section 408 exemption of the Companies Act 2006, and consequently has not presented an income statement. The Company's loss for the financial year amounted to £148.6m (2014: £144.7m), this was after net finance costs of £151.3m (2014: £148.0m), exceptional costs of £5.4m (2014: £nil) and a taxation credit of £8.1m (2014: £3.3m).

#### 7. Goodwill

| **Group** | £m |
|---|---|
| **Cost and net book value** | |
| At 1 January 2015 | 814.6 |
| Exchange adjustment | (0.2) |
| Acquisition of subsidiaries (note 24) | 36.3 |
| **At 31 December 2015** | **850.7** |

| Group | £m |
|---|---|
| Cost and net book value | |
| At 1 January 2014 | 814.9 |
| Exchange adjustment | (0.3) |
| At 31 December 2014 | 814.6 |

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

| | **2015** | 2014 |
|---|---|---|
| | **£m** | £m |
| UK and Ireland | 735.0 | 698.7 |
| BCED | 89.4 | 89.6 |
| Sweden | 26.3 | 26.3 |
| Cost and net book value | **850.7** | 814.6 |

In the UK and Ireland segment the core foodservice CGUs comprises Broadline, Country Choice, M&J Seafood, Freshfayre, Ireland and Fresh Direct. In BCED it principally comprises the trading companies Brake France Service SAS and Davigel SAS and in Sweden it principally comprises the trading company Menigo Foodservice AB.

Within the UK and Ireland the significant balances of goodwill are £600.9m (2014: £600.9m) for Broadline, £92.1m (2014: £92.1m) for Country Choice and £36.3m for Fresh Direct.

**Notes to the financial statements**

**7. Goodwill (continued)**

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

The key assumptions in the value in use calculations were:

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

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

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

- Long term GDP growth rate. The long term growth rates applied to the cash flow projections are based on economic forecasts relating to the relevant operating segments.

The forecasts are based on the approved management plan covering the next financial year. Subsequent cash flows have been forecast to increase by 2.5% for all CGUs in the UK and Ireland, 1.6% in BCED and 3.5% in Sweden (2014: 2.6% for all CGUs) in line with the long term GDP growth rate and including inflation, reflecting minimum management expectations based on historical growth. The cash flows in the reportable segments were discounted using pre-tax discount rates of 9.4% (2014: 10.1%) in the UK and Ireland, 10.2% (2014: 11.3%) in BCED and 8.1% (2014: 9.1%) in Sweden.

The results of the impairment reviews undertaken indicated that the CGUs have recoverable amounts in excess of the carrying value of the goodwill. For the impairment reviews a sensitivity analysis (described in 'critical accounting estimates and assumptions', in note 1 to the financial statements) has been performed on the key assumptions used in determining the recoverable amount of the CGUs.

**8. Intangible assets**

| Group | Brands £m | Customer contracts and relationships £m | Computer software £m | Total £m |
|---|---|---|---|---|
| **Cost or valuation** | | | | |
| At 1 January 2015 | 213.5 | 349.6 | 91.0 | 654.1 |
| Exchange adjustment | 0.2 | - | (0.7) | (0.5) |
| Acquisition of subsidiaries | 15.2 | 34.8 | 1.1 | 51.1 |
| Additions | - | - | 12.3 | 12.3 |
| Disposals | - | (7.1) | (10.1) | (17.2) |
| **At 31 December 2015** | **228.9** | **377.3** | **93.6** | **699.8** |
| **Accumulated amortisation** | | | | |
| At 1 January 2015 | 61.8 | 234.1 | 58.6 | 354.5 |
| Exchange adjustment | - | - | (0.8) | (0.8) |
| Charge for the year | 9.0 | 26.7 | 13.7 | 49.4 |
| Impairment loss | - | 2.5 | - | 2.5 |
| Disposals | - | (7.1) | (10.1) | (17.2) |
| **At 31 December 2015** | **70.8** | **256.2** | **61.4** | **388.4** |
| **Net book value at 31 December 2015** | **158.1** | **121.1** | **32.2** | **311.4** |

| Group | Brands £m | Customer contracts and relationships £m | Computer software £m | Total £m |
|---|---|---|---|---|
| Cost or valuation | | | | |
| At 1 January 2014 | 213.5 | 363.2 | 84.4 | 661.1 |
| Exchange adjustment | - | - | (2.1) | (2.1) |
| Additions | - | - | 15.7 | 15.7 |
| Disposals | - | (13.6) | (7.0) | (20.6) |
| At 31 December 2014 | 213.5 | 349.6 | 91.0 | 654.1 |
| Accumulated amortisation | | | | |
| At 1 January 2014 | 53.3 | 206.9 | 56.9 | 317.1 |
| Exchange adjustment | - | - | (1.6) | (1.6) |
| Charge for the year | 8.5 | 35.2 | 10.2 | 53.9 |
| Impairment loss | - | 5.6 | 0.1 | 5.7 |
| Disposals | - | (13.6) | (7.0) | (20.6) |
| At 31 December 2014 | 61.8 | 234.1 | 58.6 | 354.5 |
| Net book value at 31 December 2014 | 151.7 | 115.5 | 32.4 | 299.6 |

The impairment loss of £2.5m (2014: £5.6m) relates to the loss of a customer due to non-renewal of a contract and in 2014 impaired software as a result of restructuring of non-core operations in South East London (£0.1m), both part of the UK and Ireland reportable business segment.

The Company has no intangible assets.

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**9 (a). Property, plant and equipment**

| **Group** | Land and buildings £m | Motor vehicles £m | Plant and equipment £m | Information technology hardware £m | Total £m |
|---|---|---|---|---|---|
| **Cost or valuation** | | | | | |
| At 1 January 2015 | 183.1 | 150.3 | 129.5 | 33.9 | 496.8 |
| Exchange adjustments | (1.3) | (3.2) | (2.6) | (0.1) | (7.2) |
| Reclassification | - | - | - | - | - |
| Acquisition of subsidiaries | 59.9 | 9.6 | 33.7 | 1.1 | 104.3 |
| Additions | (23.8) | - | (14.3) | (0.5) | (38.6) |
| Reclassified as held for sale | 7.9 | 38.2 | 15.3 | 11.9 | 73.3 |
| Disposals | (8.7) | (18.7) | (7.7) | (4.2) | (39.3) |
| **At 31 December 2015** | **217.1** | **176.2** | **153.9** | **42.1** | **589.3** |
| **Accumulated depreciation** | | | | | |
| At 1 January 2015 | 75.7 | 79.7 | 93.6 | 30.2 | 279.2 |
| Exchange adjustment | (1.5) | (2.8) | (3.0) | 0.1 | (7.2) |
| Reclassification | - | - | - | - | - |
| Charge for the year | 8.1 | 21.7 | 10.2 | 2.2 | 42.2 |
| Impairment loss | 1.0 | - | 1.3 | - | 2.3 |
| On assets reclassified as held for sale | (14.4) | - | (13.9) | (0.5) | (28.8) |
| Disposals | (7.0) | (16.7) | (7.5) | (4.2) | (35.4) |
| **At 31 December 2015** | **61.9** | **81.9** | **80.7** | **27.8** | **252.3** |
| **Net book value at 31 December 2015** | **155.2** | **94.3** | **73.2** | **14.3** | **337.0** |

| Group | Land and buildings £m | Motor vehicles £m | Plant and equipment £m | Information technology hardware £m | Total £m |
|---|---|---|---|---|---|
| Cost or valuation | | | | | |
| At 1 January 2014 | 175.9 | 141.6 | 133.1 | 33.5 | 484.1 |
| Exchange adjustments | (5.0) | (2.7) | (2.2) | (0.4) | (10.3) |
| Reclassification | 0.7 | - | (0.7) | - | |
| Additions | 22.1 | 27.7 | 11.1 | 1.6 | 62.5 |
| Disposals | (10.6) | (16.3) | (11.8) | (0.8) | (39.5) |
| At 31 December 2014 | 183.1 | 150.3 | 129.5 | 33.9 | 496.8 |
| Accumulated depreciation | | | | | |
| At 1 January 2014 | 74.7 | 77.3 | 98.1 | 29.0 | 279.1 |
| Exchange adjustment | (2.4) | (1.4) | (1.6) | (0.3) | (5.7) |
| Reclassification | 0.7 | - | (0.7) | - | - |
| Charge for the year | 6.2 | 18.1 | 8.5 | 2.3 | 35.1 |
| Impairment loss | 2.2 | - | 0.1 | - | 2.3 |
| Disposals | (5.7) | (14.3) | (10.8) | (0.8) | (31.6) |
| At 31 December 2014 | 75.7 | 79.7 | 93.6 | 30.2 | 279.2 |
| Net book value at 31 December 2014 | 107.4 | 70.6 | 35.9 | 3.7 | 217.6 |

Land and buildings comprise:

| | **2015 £m** | 2014 £m |
|---|---|---|
| **Cost or valuation** | | |
| Freehold | **150.0** | 117.9 |
| Long leasehold | **9.7** | 9.5 |
| Short leasehold | **57.4** | 55.7 |
| | **217.1** | 183.1 |
| **Accumulated depreciation** | | |
| Freehold | **43.3** | 56.0 |
| Long leasehold | **4.3** | 4.0 |
| Short leasehold | **14.3** | 15.7 |
| | **61.9** | 75.7 |

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

| | **2015 £m** | 2014 £m |
|---|---|---|
| Cost | **118.5** | 79.7 |
| Accumulated depreciation | **(62.2)** | (39.1) |
| **Net book amount** | **56.3** | 40.6 |
| Land and buildings | **7.6** | 5.5 |
| Motor vehicles | **48.7** | 35.0 |
| Plant and equipment | **-** | 0.1 |
| **Net book amount** | **56.3** | 40.6 |

The Company has no property, plant and equipment.

**Notes to the financial statements**

**9 (b). Assets classified as held for sale**

As part of the UK distribution network program the Group transferred operations from four depots across the country to three new multi-temperature depots. At the year end the Group had a committed plan to sell the four properties and was actively marketing them for a reasonable price. It is expected that all properties will be sold in 2016 with two expecting to exchange contracts in the first quarter of 2016.

The assets have been remeasured to £9.8m which is the lower of their net book value and fair value less costs to sell and have been reclassified to current assets. The previous net book value of the assets was £12.1m and the resulting impairment loss of £2.3m has been recognised in exceptional costs.

| | Land and buildings £m | Motor vehicles £m | Plant and equipment £m | Information technology hardware £m | Total £m |
|---|---|---|---|---|---|
| Cost | 23.8 | - | 14.3 | 0.5 | 38.6 |
| Depreciation | (13.4) | - | (12.6) | (0.5) | (26.5) |
| **Net book value prior to reclassification** | **10.4** | **-** | **1.7** | **-** | **12.1** |
| Impairment | (1.0) | - | (1.3) | - | (2.3) |
| **Non current assets held for sale at 31 December 2015** | **9.4** | **-** | **0.4** | **-** | **9.8** |

**10. Investments in subsidiaries**

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

| **Company** | **2015 £m** | 2014 £m |
|---|---|---|
| At 1 January | **768.5** | 768.5 |
| Additions | **10.1** | - |
| **At 31 December** | **778.6** | **768.5** |

The Company's subsidiary undertaking is Brake Bros Holding I Limited, a non-trading holding company. All of the Company's investment is in the ordinary share capital of that company. The directors consider that the value of the investment is supported by the underlying assets and the expected future performance of the group.

The subsidiary undertakings at 31 December 2015 are listed as follows:

| **Name of Company** | **Country of incorporation** | **Percentage interest held** | **Operating in:** |
|---|---|---|---|
| The principal trading subsidiary undertakings are all involved in the supply of frozen, chilled and ambient foods as well as catering supplies and equipment to the catering industry and are as follows: | | | |
| Brake Bros Limited | England and Wales | 100.00% | United Kingdom |
| Brake Bros Foodservice Limited | England and Wales | 100.00% | United Kingdom |
| M&J Seafood Limited | England and Wales | 75.00% | United Kingdom |
| Wild Harvest Limited | England and Wales | 75.00% | United Kingdom |
| Pauleys Produce Limited | England and Wales | 75.00% | United Kingdom |
| Fresh Direct (UK) Limited | England and Wales | 75.00% | United Kingdom |
| Freshfayre Limited | England and Wales | 100.00% | United Kingdom |
| Brake Bros Receivables Limited | England and Wales | 100.00% | United Kingdom |
| Brakes Foodservice Northern Ireland Limited | Northern Ireland | 100.00% | United Kingdom |
| Brake Bros Foodservice Ireland Limited | Republic of Ireland | 100.00% | Republic of Ireland |
| Brake France Service SAS | France | 100.00% | Continental Europe |
| Menigo Foodservice AB | Sweden | 66.67% | Continental Europe |
| Davigel SAS | France | 100.00% | France |

| **Name of Company** | **Country of incorporation** | **Percentage interest held** | **Immediate parent undertaking** |
|---|---|---|---|
| Non-trading holding companies are as follows: | | | |
| Brake Bros Holding I Limited | England and Wales | 100.00% | Cucina Acquisition (UK) Limited |
| Brake Bros Holding II Limited | England and Wales | 100.00% | Brake Bros Holding I Limited |
| Brake Bros Holding III Limited | England and Wales | 100.00% | Brake Bros Holding II Limited |
| Brake Bros Finance Limited | England and Wales | 100.00% | Brake Bros Holding III Limited |
| Brake Bros Acquisition Limited | England and Wales | 100.00% | Brake Bros Finance Limited |
| Cucina Fresh Investments Limited | England and Wales | 100.00% | Brake Bros Limited |
| Cucina Fresh Finance Limited | England and Wales | 75.00% | Cucina Fresh Investments Limited |
| Fresh Direct Group Limited | England and Wales | 75.00% | Cucina Fresh Finance Limited |
| Fresh Holdings Limited | England and Wales | 75.00% | Fresh Direct Group Limited |
| Cidron Food Holding S.à r.l. | Luxembourg | 66.67% | Brake Bros Limited |
| Cidron Food Services S.à r.l. | Luxembourg | 66.67% | Cidron Food Holding S.à r.l. |
| Cucina French Holdings Limited | England and Wales | 100.00% | Brake Bros Limited |
| Brake France SAS | France | 100.00% | Brake Bros Limited |
| Davigel Equity Holdings SA | France | 100.00% | Cucina French Holdings Limited |

| **Name of Company** | **Country of incorporation** | **Percentage interest held** |
|---|---|---|
| Other subsidiary undertakings are as follows: | | |
| ***Trading companies:*** | | |
| Servicestyckarna i Johanneshov AB | Sweden | 66.67% |
| Isakssons Frukt & Grönt AB | Sweden | 66.67% |
| Fruktserice i Helsingborg AB | Sweden | 66.67% |
| Restaurangakademien AB | Sweden | 33.34% |
| Brake Continental Europe Division SAS | France | 100.00% |
| Brake France Développement | France | 100.00% |
| Fresh Direct Limited | England and Wales | 75.00% |
| Davigel Espana S.A. | Spain | 100.00% |
| Davigel Belgilux SA | Belgium | 100.00% |
| Houdebine SAS | France | 100.00% |
| ***Dormant and other non-trading companies:*** | | |
| Brakes Limited | England and Wales | 100.00% |
| Campbell & Neill Limited | England and Wales | 100.00% |
| Cearns & Brown (Southern) Limited | England and Wales | 100.00% |
| John Morris Leasing Limited | England and Wales | 100.00% |
| Stockflag Limited | England and Wales | 100.00% |
| M&J Seafood Holdings Limited | England and Wales | 100.00% |
| Taste of the Wild Limited | England and Wales | 100.00% |
| W Pauley & Co Limited | England and Wales | 100.00% |
| Watson & Philip Cearns & Brown (South East) Lim | England and Wales | 100.00% |
| Woodward Foodservice Limited | England and Wales | 100.00% |
| Country Choice Foods Limited | England and Wales | 100.00% |
| Creative Foods Limited | England and Wales | 100.00% |
| Pennygillam Limited | England and Wales | 100.00% |
| Cearns & Brown Limited | England and Wales | 100.00% |
| Fresh Direct Local (Cambridgshire) Limited | England and Wales | 75.00% |
| Fresh Direct Local (Scotland) Limited | England and Wales | 75.00% |
| Fresh Direct Local (London) Limited | England and Wales | 75.00% |

**Notes to the financial statements**

**10. Investments in subsidiaries (continued)**

| Name of Company | Country of incorporation | Percentage interest held |
|---|---|---|
| ***Dormant and other non-trading companies (continued):*** | | |
| Fresh Trading (UK)Limited | England and Wales | 75.00% |
| Roots of Oxford Limited | England and Wales | 75.00% |
| Fresh Prep (UK) Limited | England and Wales | 75.00% |
| Fresh Kitchen Limited | England and Wales | 75.00% |
| Fresh Direct Local (Glasgow) Limited | England and Wales | 75.00% |
| Country Fresh Direct Limited | England and Wales | 75.00% |
| Fresh Direct France S.à r.l. | France | 75.00% |
| Scotia Campbell Marine Limited | Scotland | 100.00% |
| Fruktserice i Malmö AB | Sweden | 66.67% |
| Fastighetsaktiebolaget Guldfrukten i Lund AB | Sweden | 66.67% |
| Menigo Invest 1 AB | Sweden | 66.67% |
| Menigo Invest 2 AB | Sweden | 66.67% |
| SCI Bianchi Montegut | France | 100.00% |
| SCI Le Dauphin | France | 100.00% |
| Financière Du Rohein | France | 100.00% |
| SCI De Boiseau | France | 100.00% |
| SCI De Garcelles | France | 100.00% |
| Group Rault | France | 100.00% |
| SCI JD Lanjouan | France | 100.00% |
| Rault Lamballe | France | 100.00% |
| Rault Sud | France | 100.00% |
| Rault Vendome | France | 100.00% |
| Rault Nantes | France | 100.00% |
| Rault Caen | France | 100.00% |

**11. Inventories**

| | Group | |
|---|---|---|
| | **2015** | 2014 |
| | **£m** | £m |
| Raw materials and consumables | **9.9** | 1.7 |
| Finished goods and goods for resale | **169.9** | 122.4 |
| | **179.8** | 124.1 |

The Company has no inventory.

**12. Trade and other receivables**

| | Group | | Company | |
|---|---|---|---|---|
| | **2015** | 2014 | **2015** | 2014 |
| | **£m** | £m | **£m** | £m |
| Trade receivables | **160.4** | 83.8 | **-** | - |
| Trade receivables - factored | **187.3** | 192.7 | **-** | - |
| Less: provision for impairment of receivables | **(7.1)** | (7.7) | **-** | - |
| Trade receivables - net | **340.6** | 268.8 | **-** | - |
| Amounts owed by parent undertakings | **60.5** | 59.6 | **59.1** | 58.6 |
| Amounts owed by group undertakings | **-** | - | **341.5** | 273.6 |
| Loans owed by parent undertakings | **11.6** | 10.8 | **-** | - |
| Loans owed by group undertakings | **-** | - | **1,224.7** | 1,133.7 |
| Other receivables | **21.1** | 5.1 | **-** | - |
| Prepayments | **20.6** | 16.2 | **-** | - |
| | **454.4** | 360.5 | **1,625.3** | 1,465.9 |

During the year certain subsidiary companies of the Group sold trade receivables to Brake Bros Receivables Limited. Brake Bros Receivables Limited has entered into a recourse factoring agreement with a bank and these receivables are separately disclosed in the note above. The transaction has been accounted for as a collateralised borrowing (see note 16). In case Brake Bros Receivables Limited defaults under the loan agreement, the lender has the right to receive the cash flows from the receivables transferred. Without default, Brake Bros Receivables Limited will collect the receivables and allocate new receivables as collateral. The total amount pledged as collateral for borrowings is £187.3m (2014: £192.7m).

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

The effective interest rate on loans owed by parent and group undertakings is 7.0% (2014: 6.2%) and 5.4% (2014: 0.2%) respectively.

The average credit period taken on sales of goods is 35 days (2014: 34 days). Interest at various rates may be charged on overdue trade receivables.

As of 31 December 2015, Group trade receivables of £279.8m (2014: £199.2m) were fully performing and as of 31 December 2015, company receivables from amounts owed by Group undertakings of £1.2m (2014: £1.0m) and loans owed by Group undertakings of £54.9m (2014: £50.0m) were fully performing.

As of 31 December 2015, Group trade receivables of £60.6m (2014: £69.2m) were past due but not impaired. These relate to a number of customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

| | Group | |
|---|---|---|
| | **2015** | 2014 |
| | **£m** | £m |
| Up to 3 months | **56.3** | 66.7 |
| 3 to 6 months | **4.3** | 2.5 |
| | **60.6** | 69.2 |

As of 31 December 2015, trade receivables of £7.3m (2014: £8.1m) were impaired and partially provided for. The amount of the provision was £7.1m as of 31 December 2015 (2014: £7.7m). The individually impaired receivables mainly relate to customers which are in unexpectedly difficult economic situations. It was assessed that a portion of the receivables is expected to be recovered. The ageing analysis of these trade receivables is as follows:

| | Group | |
|---|---|---|
| | **2015** | 2014 |
| | **£m** | £m |
| Up to 3 months | **1.1** | 1.7 |
| 3 to 6 months | **1.2** | 1.6 |
| Over 6 months | **5.0** | 4.8 |
| | **7.3** | 8.1 |

**Notes to the financial statements**

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

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

| | Group | | Company | |
|---|---|---|---|---|
| | **2015** | 2014 | **2015** | 2014 |
| | **£m** | £m | **£m** | £m |
| Sterling | **288.1** | 256.5 | **1,534.3** | 1,465.9 |
| Euros | **115.6** | 53.1 | **91.0** | - |
| Swedish Krone | **50.7** | 50.9 | **-** | - |
| | **454.4** | 360.5 | **1,625.3** | 1,465.9 |

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

| | Group | |
|---|---|---|
| | **2015** | 2014 |
| | **£m** | £m |
| At 1 January | **7.7** | 8.9 |
| Exchange adjustment | **(0.1)** | (0.4) |
| Provision for receivables impairment | **2.6** | 1.6 |
| Receivables written off during the year as uncollectible | **(3.1)** | (2.4) |
| **At 31 December** | **7.1** | 7.7 |

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

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

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The Group and Company does not hold any collateral as security.

**13. Cash and cash equivalents**

| | Group | |
|---|---|---|
| | **2015** | 2014 |
| | **£m** | £m |
| Cash at bank and in hand | **105.8** | 84.2 |
| Short term bank deposits | **43.9** | 33.5 |
| | **149.7** | 117.7 |

The effective interest rate on Group and Company cash at bank and in hand was 0% (2014: 0%) and on Group short term deposits was 0.25% (2014: 0.25%), these deposits have an average maturity of 1 day (2014: 1 day).

**14. Trade and other payables**

| | Group | | Company | |
|---|---|---|---|---|
| | **2015** | 2014 | **2015** | 2014 |
| | **£m** | £m | **£m** | £m |
| Trade payables | **464.0** | 379.1 | **-** | - |
| Amounts owed to parent undertakings | **38.8** | 34.8 | **37.4** | 33.4 |
| Amounts owed to group undertakings | **-** | - | **110.0** | 78.4 |
| Other taxes and social security | **18.3** | 19.1 | **-** | - |
| Other payables | **44.6** | 18.3 | **-** | - |
| Accruals | **160.7** | 67.1 | **50.5** | 6.8 |
| | **726.4** | 518.4 | **197.9** | 118.6 |
| Less non-current portion | **(44.9)** | (41.5) | **(31.4)** | (27.8) |
| | **681.5** | 476.9 | **166.5** | 90.8 |

For the Group the non-current portion comprises amounts owed to parent undertakings of £31.4m (2014: £27.8m) and accruals of £13.5m (2014: £13.7). For the Company the non-current portion comprises amounts owed to parent undertakings of £31.4m (2014: £27.8m).

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

Included within other accruals is an estimated cost of £41.1m, of the minority shareholder in Cucina Fresh Finance Limited, the holding company of the Fresh Direct Group, exercising their put option requiring the subsidiary company Cucina Acquisition (UK) Limited to repurchase the shares in Cucina Fresh Finance Limited. The liability was in the statement of financial position at acquisition and has been revalued based on the 2015 performance of the Fresh Direct Group. The increase in the liability has been taken to the income statement and recognised within transaction costs as an exceptional item (see note 24 to the financial statements for further details).

The average credit period taken for trade purchases is 58 days (2014: 55 days). For most suppliers no interest is charged on the trade payables for the first 60 days from the date of the invoice and thereafter interest may be charged on the outstanding balances at various interest rates.

## Notes to the financial statements

### 15. Current income tax liabilities

| | Group 2015 £m | 2014 £m |
|---|---|---|
| Corporation tax - overseas | **3.6** | 0.1 |
| | **3.6** | 0.1 |

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

### 16. Financial liabilities - borrowings

| Current | Group 2015 £m | 2014 £m | Company 2015 £m | 2014 £m |
|---|---|---|---|---|
| Bank loans | **125.0** | 1.0 | **-** | - |
| Payment-in-kind loan owed to parent undertaking | **374.1** | 347.8 | **374.1** | 347.8 |
| Other loans owed to parent undertaking | **3.8** | 3.8 | **3.8** | 3.8 |
| Other loan owed to group undertaking | **-** | - | **408.2** | 349.5 |
| Finance lease obligations | **13.9** | 11.8 | **-** | - |
| | **516.8** | 364.4 | **786.1** | 701.1 |

| Non-current | Group 2015 £m | 2014 £m | Company 2015 £m | 2014 £m |
|---|---|---|---|---|
| Loan notes | **0.9** | 0.9 | **-** | - |
| Bank loans | **163.0** | 145.7 | **-** | - |
| Senior bank loans | **461.1** | 348.4 | **365.3** | 348.4 |
| Senior notes | **567.5** | 573.5 | **-** | - |
| Davigel preference share put liability | **67.6** | - | **-** | - |
| Payment-in-kind loan owed to parent undertaking | **374.1** | 347.8 | **374.1** | 347.8 |
| Shareholder loan owed to parent undertaking | **699.9** | 610.0 | **699.9** | 610.0 |
| Senior bank loan owed to group undertaking | **-** | - | **95.7** | - |
| Senior notes owed to group undertaking | **-** | - | **567.5** | 573.5 |
| Other loans owed to parent undertaking | **14.4** | 13.0 | **14.4** | 13.0 |
| Other loan owed to group undertaking | **-** | - | **408.2** | 349.5 |
| Debt issue costs | **(30.3)** | (20.8) | **(28.2)** | (19.4) |
| Finance lease obligations | **52.6** | 35.8 | **-** | - |
| | **2,370.8** | 2,054.3 | **2,496.9** | 2,222.8 |
| Less amounts falling due within one year | **(516.8)** | (364.4) | **(786.1)** | (701.1) |
| | **1,854.0** | 1,689.9 | **1,710.8** | 1,521.7 |

Senior bank loans are secured by way of a fixed and floating charge over UK assets of the Group and other UK bank loans have been obtained pursuant to a debt factoring arrangement (note 12). Bank loans in Sweden are secured by way of a fixed and floating charge over Swedish assets of the Group.

On 2 November 2015, the Group raised €130.0m of debt under the senior secured facility in order to facilitate the acquisition of Davigel. The loan carries an interest rate of 5.5% plus EURIBOR (with a 1% floor) and is repayable on 15 December 2018.

On 12 November 2015, the Group raised £230m of debt under the senior secured facility in order to repay £222.1m of existing Senior bank loans. The loan carries an interest rate of 7.5% plus LIBOR (with a 1% floor) and is repayable on 12 November 2020.

In the prior year on 28 May 2014, the Group issued £257.0m of 7.125% Senior Notes and €150.0m of floating rate Senior Notes, both repayable on 15 December 2018. The Group used the proceeds to repay £375.7m of existing Senior bank loans. The notes were issued by Brakes Capital, a company incorporated with limited liability in the Cayman Islands, an independent, stand-alone special purpose vehicle whose principal purpose was to issue the notes and lend the proceeds to the Group. In accordance with IFRS 10 ("Consolidated Financial Statements"), Brakes Capital is included within the consolidated results of the Group. The Senior Notes are listed on the Irish Stock Exchange.

The £67.6m Davigel preference share put liability relates to preference shares issued to Nestle on 2 November 2015 to fund the Davigel acquisition (see note 24 to the financial statements for further details). In circumstances where Bain Capital exit their investment from the Group, Nestlé are able to exercise a put option to sell and Cucina Acquisition (UK) Limited can exercise a call option to buy the Davigel preference shares. In the event of a Bain Capital Exit by way of an initial public offering (IPO) of equity securites to trade on a stock exchange, Nestlé shall take such steps as are reasonably required by Cucina Acquisition (UK) Limited to exchange the preference shares for IPO Securities for the value of the preference shares calculated at the same implied issue price as the IPO.

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

| | Group 2015 £m | 2014 £m | Company 2015 £m | 2014 £m |
|---|---|---|---|---|
| Pounds | **2,053.1** | 1,901.5 | **2,290.7** | 2,106.3 |
| Euros | **297.3** | 129.4 | **206.2** | 116.5 |
| Swedish Krona | **20.4** | 23.4 | **-** | - |
| | **2,370.8** | 2,054.3 | **2,496.9** | 2,222.8 |

**Maturity of financial liabilities**

The tables below analyses the Group and Company's financial liabilities and net-settled derivative financial instruments into relevant maturity groupings based on the remaining period at the date of the statement of financial position to the contract maturity date. The amounts disclosed in the table for borrowings and trade payables are the contractual undiscounted cash flows and for derivative financial instruments it is the fair value.

| **Group** | **Less than one year £m** | **Between one and two years £m** | **Between two and five years £m** | **Over five years £m** |
|---|---|---|---|---|
| Borrowings - including interest payments | **583.5** | **173.9** | **2,349.8** | **0.3** |
| Finance lease liabilities | **18.7** | **13.8** | **28.1** | **3.0** |
| Derivative financial instruments | **2.4** | **1.5** | **-** | **-** |
| Trade and other payables excluding statutory liabilities | **663.2** | **0.5** | **33.3** | **11.1** |
| **At 31 December 2015** | **1,267.8** | **189.7** | **2,411.2** | **14.4** |

| Group | Less than one year £m | Between one and two years £m | Between two and five years £m | Over five years £m |
|---|---|---|---|---|
| Borrowings - including interest payments | 421.7 | 194.2 | 2,185.6 | 0.3 |
| Finance lease liabilities | 14.0 | 11.6 | 14.7 | 1.8 |
| Derivative financial instruments | 2.4 | - | 1.5 | - |
| Trade and other payables excluding statutory liabilities | 457.8 | 0.7 | 29.7 | 11.1 |
| At 31 December 2014 | 895.9 | 206.5 | 2,231.5 | 13.2 |

**Notes to the financial statements**

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

| **Company** | **Less than one year £m** | **Between one and two years £m** | **Between two and five years £m** | **Over five years £m** |
|---|---|---|---|---|
| Borrowings - including interest payments | **858.4** | **168.9** | **2,240.4** | **-** |
| Derivative financial instruments | **-** | **1.5** | **-** | **-** |
| Trade and other payables | **166.5** | **-** | **31.4** | **-** |
| **At 31 December 2015** | **1,024.9** | **170.4** | **2,271.8** | **-** |

| Company | Less than one year £m | Between one and two years £m | Between two and five years £m | Over five years £m |
|---|---|---|---|---|
| Borrowings - including interest payments | 765.7 | 64.6 | 2,165.8 | - |
| Derivative financial instruments | - | - | 1.5 | - |
| Trade and other payables | 90.8 | - | 27.8 | - |
| At 31 December 2014 | 856.5 | 64.6 | 2,195.1 | - |

The tables below analyses the Group's derivative financial instruments which will be settled on a gross basis into relevant maturity groupings based on the remaining period at the date of the statement of financial position to the contract maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. The fair values of the Group's derivative financial instrument liabilities after discounting amount to £3.9m (2014: £3.9m). Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

| | Group | | | Company | | |
|---|---|---|---|---|---|---|
| **At 31 December 2015** | **Less than one year £m** | **Between two and five years £m** | **Total £m** | **Less than one year £m** | **Between two and five years £m** | **Total £m** |
| Interest rate caps with deferred premiums: | | | | | | |
| - LIBOR - outflow | **-** | **(1.2)** | **(1.2)** | **-** | **(1.2)** | **(1.2)** |
| - EURIBOR - outflow | **-** | **(0.3)** | **(0.3)** | **-** | **(0.3)** | **(0.3)** |
| Cash flow hedges | **(2.4)** | **-** | **(2.4)** | **-** | **-** | **-** |
| Net outflow | **(2.4)** | **(1.5)** | **(3.9)** | **-** | **(1.5)** | **(1.5)** |

| | Group | | | Company | | |
|---|---|---|---|---|---|---|
| At 31 December 2014 | Less than one year £m | Between two and five years £m | Total £m | Less than one year £m | Between two and five years £m | Total £m |
| Interest rate caps with deferred premiums: | | | | | | |
| LIBOR - outflow | - | (1.1) | (1.1) | - | (1.1) | (1.1) |
| EURIBOR - outflow | - | (0.4) | (0.4) | - | (0.4) | (0.4) |
| Cash flow hedges | (2.4) | - | (2.4) | - | - | - |
| Net outflow | (2.4) | (1.5) | (3.9) | - | (1.5) | (1.5) |

**Borrowing facilities**

The Group and Company have the following undrawn committed borrowing facilities available at 31 December:

| | Group | | Company | |
|---|---|---|---|---|
| | **Floating rate 2015 £m** | Floating rate 2014 £m | **Floating rate 2015 £m** | Floating rate 2014 £m |
| Expiring beyond one year | **94.0** | 79.1 | **75.0** | 75.0 |

Of these facilities £75.0m of senior facilities are available until June 2018 (31 December 2014: £75.0m to June 2018) and other bank loan facilities of £4.0m (31 December 2014: £4.1m) are available until September 2018 and £15.0m are available until February 2020.

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

| | Group | |
|---|---|---|
| | **2015 £m** | 2014 £m |
| Not later than one year | **17.7** | 13.9 |
| Later than one year but not more than five | **41.6** | 25.4 |
| More than five years | **4.0** | 1.5 |
| | **63.3** | 40.8 |
| Future finance charges on finance leases | **(10.7)** | (5.0) |
| **Present value of finance lease liabilities** | **52.6** | 35.8 |

The Company has no finance leases.

**Notes to the financial statements**

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

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

| | Group | | Company | |
|---|---|---|---|---|
| | **2015** | 2014 | **2015** | 2014 |
| | **£m** | £m | **£m** | £m |
| Borrowings at floating interest rates | **1,071.0** | 930.3 | **1,336.4** | 1,599.8 |
| Fixed rate borrowings maturing: | | | | |
| - within one year | **17.7** | 16.4 | **3.8** | 3.8 |
| - one to five years | **1,278.6** | 1,105.8 | **1,156.7** | 619.2 |
| - over five years | **3.5** | 1.8 | **-** | - |
| | **2,370.8** | 2,054.3 | **2,496.9** | 2,222.8 |

Of the borrowings at floating interest rates the Group has entered into interest rate caps which have the economic effect of placing a limit on the maximum interest rate increase applied at certain future dates. The notional principal amounts of the interest rate caps at 31 December 2015 were £170.0m (2014: £170.0m) for LIBOR borrowings and £110.4m (2014: £116.5m) for EURIBOR borrowings (for further details see note 17(b) (i)).

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

| | Group | | Company | |
|---|---|---|---|---|
| | **2015** | 2014 | **2015** | 2014 |
| Bank loans | **2.9%** | 3.1% | **-** | - |
| Senior bank loans | **7.7%** | 3.7% | **7.7%** | 3.7% |
| Senior notes | **6.7%** | 6.7% | **-** | - |
| Davigel preference shares | **6.0%** | - | **-** | - |
| Payment-in-kind loan owed to parent undertaking | **7.1%** | 7.1% | **7.1%** | 7.1% |
| Shareholder loan owed to parent undertaking | **14.8%** | 14.8% | **14.8%** | 14.8% |
| Other loans owed to parent undertakings | **14.8%** | 14.8% | **14.8%** | 14.8% |
| Finance lease obligations | **7.1%** | 6.0% | **-** | - |

**17. Financial Instruments**

**17 (a). Financial instruments - disclosures**

Disclosures in respect of the Group's financial risks are set out below. Additional disclosures are set out in the Accounting Policies (on pages 35 to 40) and numerical disclosures in respect of financial instruments are set out in note 17(b), 17(c) and 17(d).

**Financial risk management**

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

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

*(i) Foreign currency exchange risk*
The Group is exposed to foreign exchange risks primarily with respect to the Euro. The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the Group's foreign operations is managed primarily through borrowings denominated in the Euro.

If the UK pound had weakened /strengthened by 10% against the Euro with all other variables held constant, the loss before tax in the consolidated income statement is £0.7m (2014: £1.7m) higher / £0.6m (2014: £1.4m) lower as a result of foreign exchange gains / losses on translation of the Euro denominated borrowings.

*(ii) Interest rate risk*
The Group has both interest bearing assets and interest bearing liabilities.

The Group's interest rate risk primarily arises from floating interest rate long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. During 2015, the Group's borrowings at variable rate were denominated in the UK pound, Euro and Swedish Krona. The Group manages its cash flow interest rate risk by using interest rate caps. Such interest rate caps have the economic effect of placing a limit on the maximum interest rate increase applied at certain future dates. Under the interest rate caps, the Group agrees with other parties that for specified future quarterly dates, if the market interest rate exceeds the interest rate cap strike rate, the difference will be paid to the Group calculated by reference to the agreed notional amounts.

Based on this management of the interest rate risk, the Group calculates the impact on the loss after taxation in the consolidated income statement of a defined interest rate shift on finance costs and finance income. Based on the simulations performed, the impact on the loss after taxation of a 10% shift in interest rates would be an increase or decrease of £5.6m (2014: £3.8m).

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

### Notes to the financial statements

**17. Financial Instruments (continued)**

**17 (a). Financial instruments - disclosures (continued)**

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

| Counterparty | **2015** Rating | **2015** Balance £m | 2014 Rating | 2014 Balance £m |
|---|---|---|---|---|
| Bank A | **A** | **1.6** | A | - |
| Bank B | **A-** | **56.4** | A | 69.3 |
| Bank C | **AA-** | **1.0** | AA- | 1.5 |
| Bank D | **A+** | **34.4** | A+ | 7.7 |
| Bank E | **A** | **8.1** | A | 7.8 |
| Bank F | **A** | **7.4** | A | 0.4 |
| Bank G | **AA-** | **30.8** | A+ | 23.6 |
| Bank H | **BBB-** | **5.8** | BB+ | 3.8 |
| Bank I | **BBB+** | **0.4** | BBB+ | 1.4 |
| Bank K | **BBB+** | **0.1** | A | 0.1 |
| Bank L | **A** | **2.3** | A | 2.1 |
| Bank M | **BBB** | **1.4** | | |
| | | **149.7** | | 117.7 |

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

*(iv) Liquidity risk*
The Group actively maintains a mixture of long-term and short-term facilities that are designed to ensure the Group has sufficient available funds for operations and planned expansions. Management monitors rolling forecasts of the Group's liquidity reserve (comprises undrawn borrowing facility (note 16) and cash and cash equivalents (note 13)) on the basis of expected cash flow. The Group maintains liquidity through available cash reserves and undrawn committed borrowing facilities available primarily through its Senior Facilities Agreements. The senior banks monitor the Group's performance through quarterly covenant tests, with the Group reporting headroom on all covenant testing during the year ended 31 December 2015.

*(v) Commodity price risk*
The Group is exposed to commodity price risk primarily with respect to diesel purchases. The Group has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the Group by using diesel fuel commodity swaps to hedge against future price changes. During the year the Group entered into a number of fuel commodity swaps to hedge against the risk of the change in the price of diesel on anticipated future purchases (see note 17(b) for further details).

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

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

**Analysis of changes in net debt**

| **Group** | At 1 January 2015 £m | Cash flow £m | Acquisitions (excluding cash and overdrafts) £m | Inception of finance leases £m | Other non-cash movements £m | Exchange movements £m | **At 31 December 2015 £m** |
|---|---|---|---|---|---|---|---|
| Cash and cash equivalents | 117.7 | 33.0 | - | - | - | (1.0) | **149.7** |
| | | | | | | | |
| Bank loans | (1.0) | 0.9 | - | - | (124.3) | 0.1 | **(124.3)** |
| Payment-in-kind loan owed to parent undertaking | (347.8) | - | - | - | (26.3) | - | **(374.1)** |
| Other loans owed to parent undertaking | (3.8) | - | - | - | - | - | **(3.8)** |
| Debt due within one year | (352.6) | 0.9 | - | - | (150.6) | 0.1 | **(502.2)** |
| | | | | | | | |
| Loan notes | (0.9) | - | - | - | - | - | **(0.9)** |
| Bank loans | (143.3) | (3.2) | (13.9) | - | 123.4 | 0.5 | **(36.5)** |
| Senior bank loans | (344.8) | (85.7) | - | - | (12.3) | (2.8) | **(445.6)** |
| Senior notes | (557.7) | - | - | - | (3.2) | 6.0 | **(554.9)** |
| Loan payable to former parent company | - | 39.4 | (39.4) | - | - | - | **-** |
| Davigel preference share put liability | - | - | - | - | (65.6) | (2.0) | **(67.6)** |
| Other loans owed to parent undertaking | (9.2) | - | - | - | (1.4) | - | **(10.6)** |
| Shareholder loan owed to parent undertaking | (610.0) | - | - | - | (89.9) | - | **(699.9)** |
| Debt due after one year | (1,665.9) | (49.5) | (53.3) | - | (49.0) | 1.7 | **(1,816.0)** |
| | | | | | | | |
| Finance lease obligations | (35.8) | 14.7 | (8.4) | (23.6) | - | 0.5 | **(52.6)** |
| Derivative financial instruments | (3.5) | - | - | - | (0.9) | - | **(4.4)** |
| | | | | | | | |
| **Total net debt** | (1,940.1) | (0.9) | (61.7) | (23.6) | (200.5) | 1.3 | **(2,225.5)** |

| Group | At 1 January 2014 £m | Cash flow £m | Acquisitions (excluding cash and overdrafts) £m | Inception of finance leases £m | Other non-cash movements £m | Exchange movements £m | At 31 December 2014 £m |
|---|---|---|---|---|---|---|---|
| Cash and cash equivalents | 134.0 | (11.5) | - | - | - | (4.8) | 117.7 |
| | | | | | | | |
| Loan notes | (0.4) | - | - | - | 0.4 | - | - |
| Bank loans | (0.4) | 0.4 | - | - | (1.0) | - | (1.0) |
| Senior bank loans | - | - | - | - | - | - | - |
| Payment-in-kind loan owed to parent undertaking | (323.5) | - | - | - | (24.3) | - | (347.8) |
| Other loans owed to parent undertaking | (3.8) | - | - | - | - | - | (3.8) |
| Debt due within one year | (328.1) | 0.4 | - | - | (24.9) | - | (352.6) |
| | | | | | | | |
| Loan notes | (0.3) | (0.2) | - | - | (0.4) | - | (0.9) |
| Bank loans | (150.6) | 3.6 | - | - | 0.3 | 3.4 | (143.3) |
| Senior bank loans | (707.0) | 375.7 | - | - | (16.6) | 3.1 | (344.8) |
| Senior notes | (187.0) | (374.0) | - | - | (1.4) | 4.7 | (557.7) |
| Other loans owed to parent undertaking | (8.1) | - | - | - | (1.1) | - | (9.2) |
| Shareholder loan owed to parent undertaking | (531.6) | - | - | - | (78.4) | - | (610.0) |
| Debt due after one year | (1,584.6) | 5.1 | - | - | (97.6) | 11.2 | (1,665.9) |
| | | | | | | | |
| Finance lease obligations | (37.7) | 13.3 | - | (13.5) | 0.9 | 1.2 | (35.8) |
| Derivative financial instruments | (1.0) | 1.1 | - | - | (3.6) | - | (3.5) |
| | | | | | | | |
| Total net debt | (1,817.4) | 8.4 | - | (13.5) | (125.2) | 7.6 | (1,940.1) |

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

Material other non-cash movements comprise non-cash interest added to senior bank loans, to the payment-in-kind loan and to the shareholder loan owed to the parent undertaking amounting to £125.3m (2014: £113.0m) and changes in the value of derivative financial instruments amounting to a £0.9m increase (2014: £3.6m).

## Notes to the financial statements

**17. Financial Instruments (continued)**

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

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

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

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

The following table presents the Group's liabilities that are measured at fair value at 31 December 2015.

| | Level 1 £m | Level 2 £m | Level 3 £m | Total £m |
|---|---|---|---|---|
| **Liabilities** | | | | |
| Forward foreign currency contracts | **-** | **0.5** | **-** | **0.5** |
| Cash flow hedges | **-** | **2.4** | **-** | **2.4** |
| Interest rate caps with deferred premiums | **-** | **1.5** | **-** | **1.5** |
| | **-** | **4.4** | **-** | **4.4** |

The following table presents the Company's liabilities that are measured at fair value at 31 December 2015.

| | Level 1 £m | Level 2 £m | Level 3 £m | Total £m |
|---|---|---|---|---|
| **Liabilities** | | | | |
| Interest rate caps with deferred premiums | **-** | **1.5** | **-** | **1.5** |

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2014.

| | Level 1 £m | Level 2 £m | Level 3 £m | Total £m |
|---|---|---|---|---|
| **Assets** | | | | |
| Interest rate caps | - | 0.4 | - | 0.4 |

| | Level 1 £m | Level 2 £m | Level 3 £m | Total £m |
|---|---|---|---|---|
| **Liabilities** | | | | |
| Cash flow hedges | - | 2.4 | - | 2.4 |
| Interest rate caps with deferred premiums | - | 1.5 | - | 1.5 |
| | - | 3.9 | - | 3.9 |

The following table presents the Company's assets and liabilities that are measured at fair value at 31 December 2014.

| | Level 1 £m | Level 2 £m | Level 3 £m | Total £m |
|---|---|---|---|---|
| **Assets** | | | | |
| Interest rate caps | - | 0.4 | - | 0.4 |

| | Level 1 £m | Level 2 £m | Level 3 £m | Total £m |
|---|---|---|---|---|
| **Liabilities** | | | | |
| Interest rate caps with deferred premiums | - | 1.5 | - | 1.5 |

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

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

**Carrying values of derivative financial instruments**

| Group | **Assets 2015 £m** | **Liabilities 2015 £m** | Assets 2014 £m | Liabilities 2014 £m |
|---|---|---|---|---|
| Interest rate caps with deferred premiums | **-** | **(1.5)** | - | (1.5) |
| Interest rate caps | **-** | **-** | 0.4 | - |
| Forward foreign currency contracts | | **(0.5)** | - | - |
| Cash flow hedges | **-** | **(2.4)** | - | (2.4) |
| **Total** | **-** | **(4.4)** | 0.4 | (3.9) |
| Less non-current portion: | | | | |
| Interest rate caps with deferred premiums | **-** | **(1.5)** | **-** | (1.5) |
| Interest rate caps | **-** | **-** | 0.4 | - |
| **Total non-current portion** | **-** | **(1.5)** | 0.4 | (1.5) |
| **Current portion** | **-** | **(2.9)** | - | (2.4) |

**Notes to the financial statements**

**17. Financial Instruments (continued)**

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

**Carrying values of derivative financial instruments**

| Company | Assets 2015 £m | Liabilities 2015 £m | Assets 2014 £m | Liabilities 2014 £m |
|---|---|---|---|---|
| Interest rate caps with deferred premiums | - | (1.5) | - | (1.5) |
| Interest rate caps | - | - | 0.4 | - |
| **Total** | - | (1.5) | 0.4 | (1.5) |
| Less non-current portion: | | | | |
| Interest rate caps with deferred premiums | - | (1.5) | - | (1.5) |
| Interest rate caps | - | - | 0.4 | - |
| **Total non-current portion** | - | (1.5) | 0.4 | (1.5) |
| **Current portion** | - | - | - | - |

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

The ineffective portion recognised in 'finance costs - net' in the consolidated income statement arising from net investment in foreign entity hedges amounted to a gain of £1.7m (2014: £1.3m).

*(i) Interest rate caps with deferred premiums*
Two Interest rate cap contracts with deferred premiums were entered into in the previous year. A EURIBOR contract on 8 July 2014 with a forward start date of 15 December 2014, maturing on 15 December 2017 and a LIBOR contract on 23 July 2014 with a forward start date of 31 December 2014, maturing on 31 December 2017; these have the effect of capping floating rate EURIBOR and LIBOR borrowings. The notional principal amounts of the outstanding interest rate cap contracts at 31 December 2015 were £110.4m for the EURIBOR borrowings and £170.0m for the LIBOR borrowings. The capped interest rates are 1.0% for EURIBOR and 3.0% for LIBOR borrowings. The notional amounts of the deferred premiums payable on 10 and 31 March 2017 are £0.3m for the EURIBOR borrowings and £1.1m for the LIBOR borrowings.

*(ii) Cash flow hedges*
During the year the Group entered into a number of fuel commodity swaps to hedge against the risk of the change in the price of diesel on anticipated future purchases. The swaps all have maturity dates in 2016 and they have all been designated as cash flow hedges. As at 31 December 2015 the aggregate amount of losses under these swaps deferred in the cash flow hedging reserve, relating to exposure on these anticipated future transactions is £2.4m. It is highly probable that the purchases will take place during 2016, at which time the amount deferred in equity will be reclassified to profit or loss.

*(iii) Hedge of net investment in foreign entity*
The Group has Euro denominated senior borrowings of which it has designated as a hedge of the net investment in its subsidiaries in Continental Europe. The value of these Euro borrowings at 31 December 2015 were £206.2m (2014: £116.5m). A foreign exchange gain of £3.5m (2014: £6.6m gain) on translation of the borrowings into sterling has been offset against an exchange loss of £3.5m (2014: £6.6m loss) on translation of the net investment in subsidiaries.

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

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

| Group | At 31 December 2015 Book value £m | At 31 December 2015 Fair value £m | At 31 December 2014 Book value £m | At 31 December 2014 Fair value £m |
|---|---|---|---|---|
| Primary financial instruments held or issued to finance the Group's operations: | | | | |
| Short term financial liabilities and current portion of long term borrowings | (516.8) | (516.8) | (364.4) | (364.4) |
| Other long term borrowings | (1,884.3) | (1,884.3) | (1,710.7) | (1,712.0) |
| Trade and other payables | (726.4) | (726.4) | (518.4) | (518.4) |
| Trade and other receivables | 433.8 | 433.8 | 344.3 | 344.3 |
| Cash and cash equivalents | 149.7 | 149.7 | 117.7 | 117.7 |
| Retirement benefit obligations | (67.2) | (67.2) | (61.4) | (61.4) |
| Provisions for other liabilities and charges | (27.8) | (27.8) | (22.3) | (22.3) |
| Interest rate caps with deferred premiums | (1.5) | (1.5) | (1.5) | (1.5) |
| Interest rate caps | - | - | 0.4 | 0.4 |
| Cash flow hedges | (2.4) | (2.4) | (2.4) | (2.4) |

The book values of short-term bank deposits, loans and other borrowings with a maturity of less than one year are assumed to approximate to their fair values. In the case of bank loans and other borrowings due in more than one year the fair value of financial liabilities for disclosure purposes is estimated using valuation method level 3 by discounting the future contractual cash flows at the current estimated market interest rate available to the Group for similar financial instruments.

Other fair values shown above have been estimated using valuation method level 3 by discounting cash flows at prevailing interest rates.

| Company | At 31 December 2015 Book value £m | At 31 December 2015 Fair value £m | At 31 December 2014 Book value £m | At 31 December 2014 Fair value £m |
|---|---|---|---|---|
| Primary financial instruments held or issued to finance the Company's operations: | | | | |
| Short term financial liabilities and current portion of long term borrowings | (786.1) | (786.1) | (701.1) | (701.1) |
| Other long term borrowings | (1,739.0) | (1,739.0) | (1,541.1) | (1,549.4) |
| Trade and other payables | (197.9) | (197.9) | (118.6) | (118.6) |
| Other receivables - amounts owed by group and parent undertakings | 1,625.3 | 1,625.3 | 1,465.9 | 1,465.9 |
| Interest rate caps with deferred premiums | (1.5) | (1.5) | (1.5) | (1.5) |
| Interest rate caps | - | - | 0.4 | 0.4 |

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

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

| Group | Assets at fair value through the profit and loss £m | Loans and receivables £m | Total £m |
|---|---|---|---|
| **At 31 December 2015** | | | |
| Assets as per statement of financial position: | | | |
| Trade and other receivables | - | 433.8 | 433.8 |
| Cash and cash equivalents | - | 149.7 | 149.7 |
| Derivative financial instruments | - | - | - |
| | - | 583.5 | 583.5 |

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**Notes to the financial statements**

**17. Financial Instruments (continued)**

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

| Group | Assets at fair value through the profit and loss £m | Loans and receivables £m | Total £m |
|---|---|---|---|
| At 31 December 2014 | | | |
| Assets as per statement of financial position: | | | |
| Trade and other receivables | - | 344.3 | 344.3 |
| Cash and cash equivalents | - | 117.7 | 117.7 |
| Derivative financial instruments | 0.4 | - | 0.4 |
| | 0.4 | 462.0 | 462.4 |

| **Group** | **Liabilities at fair value through the profit and loss £m** | **Financial liabilities at amortised cost £m** | **Total £m** |
|---|---|---|---|
| **At 31 December 2015** | | | |
| Liabilities as per statement of financial position: | | | |
| Borrowings | **-** | **2,370.8** | **2,370.8** |
| Derivative financial instruments | **4.4** | **-** | **4.4** |
| Trade and other payables excluding statutory liabilities | **-** | **708.1** | **708.1** |
| | **4.4** | **3,078.9** | **3,083.3** |

| Group | Liabilities at fair value through the profit and loss £m | Financial liabilities at amortised cost £m | Total £m |
|---|---|---|---|
| At 31 December 2014 | | | |
| Liabilities as per statement of financial position: | | | |
| Borrowings | - | 2,054.3 | 2,054.3 |
| Derivative financial instruments | 3.9 | - | 3.9 |
| Trade and other payables excluding statutory liabilities | - | 499.3 | 499.3 |
| | 3.9 | 2,553.6 | 2,557.5 |

| **Company** | **Assets at fair value through the profit and loss £m** | **Loans and receivables £m** | **Total £m** |
|---|---|---|---|
| **At 31 December 2015** | | | |
| Assets as per statement of financial position: | | | |
| Trade and other receivables | **-** | **1,625.3** | **1,625.3** |
| Derivative financial instruments | **-** | **-** | **-** |
| | **-** | **1,625.3** | **1,625.3** |

| Company | Assets at fair value through the profit and loss £m | Loans and receivables £m | Total £m |
|---|---|---|---|
| At 31 December 2014 | | | |
| Assets as per statement of financial position: | | | |
| Trade and other receivables | - | 1,465.9 | 1,465.9 |
| Derivative financial instruments | 0.4 | - | 0.4 |
| | 0.4 | 1,465.9 | 1,466.3 |

| **Company** | **Liabilities at fair value through the profit and loss £m** | **Financial liabilities at amortised cost £m** | **Total £m** |
|---|---|---|---|
| **At 31 December 2015** | | | |
| Liabilities as per statement of financial position: | | | |
| Borrowings | **-** | **2,496.9** | **2,496.9** |
| Derivative financial instruments | **1.5** | **-** | **1.5** |
| Trade and other payables excluding statutory liabilities | **-** | **197.9** | **197.9** |
| | **1.5** | **2,694.8** | **2,696.3** |

| Company | Liabilities at fair value through the profit and loss £m | Financial liabilities at amortised cost £m | Total £m |
|---|---|---|---|
| At 31 December 2014 | | | |
| Liabilities as per statement of financial position: | | | |
| Borrowings | - | 2,222.8 | 2,222.8 |
| Derivative financial instruments | 1.5 | - | 1.5 |
| Trade and other payables excluding statutory liabilities | - | 118.6 | 118.6 |
| | 1.5 | 2,341.4 | 2,342.9 |

**Notes to the financial statements**

**17. Financial Instruments (continued)**

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

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

| | Group | |
|---|---|---|
| | **2015** | 2014 |
| | **£m** | £m |
| **At 31 December** | | |
| **Trade receivables** | | |
| Low risk | **189.9** | 129.8 |
| Medium risk | **60.8** | 55.3 |
| High risk | **29.1** | 14.1 |
| | **279.8** | 199.2 |

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

| | Group | |
|---|---|---|
| | **2015** | 2014 |
| | **£m** | £m |
| **At 31 December** | | |
| **Cash at bank and short term deposits** | | |
| AA- | **31.8** | 1.5 |
| A+ | **34.4** | 31.3 |
| A | **19.4** | 79.7 |
| A- | **56.4** | - |
| BB+ | **-** | 3.8 |
| BBB+ | **0.5** | 1.4 |
| BBB | **1.4** | - |
| BBB- | **5.8** | - |
| | **149.7** | 117.7 |

**18. Retirement benefit obligations**

The Group operates a number of pension schemes for its UK employees; the assets of all schemes being held in separate trustee administered funds. In addition, in BCED and Sweden the Group is liable for certain post employment benefits which meet the criteria of a defined benefit plan and these obligations are of an unfunded nature. The UK pension schemes are operated by the subsidiary company Brake Bros Limited and are as follows:

(i) The Brake Bros plc Pension Scheme was closed to existing employees at 31 December 2003. No further benefits are accruing to members subsequent to this date. The scheme is a funded defined benefit pension plan.

The scheme is administered by a separate board of trustees which is legally separate from Brake Bros Limited. The trustees are composed of representatives of both the employer and the members and an independent trustee. The trustees are required by law to act in the interest of all relevant beneficiaries and are responsible for the investment policy with regard to the assets plus the day to day administration of the benefits.

Under the scheme, members are entitled to defined annual pensions on retirement at normal retirement age (typically age 63 or age 65). Benefits are also payable on death and following other events such as early retirement.

Brake Bros plc Pension Scheme retirement benefit obligations up to a maximum amount of £20.0m (2014: £20.0m) are secured by way of a charge over certain property, plant and equipment of the Group.

Further details on the profile of the scheme, its funding requirements and risks associated with the scheme are explained later in this note.

(ii) The Brakes Group Personal Pension Plan was opened on 1 April 2013 and is a qualifying workplace pension scheme that the Group is using to meet the automatic enrolment legislative requirements. It is contracted into the state pension scheme and for auto-enrolment members the contribution rates are 1% of pensionable salary for members and for employers and for elected members has contribution rates of 4% or 5% of pensionable salary for members and from 4% for employers, with higher employers contributions for managers. Funds are invested with Legal & General Investment Management.

(iii) The Brakes Money Purchase Pension Plan closed on 31 March 2015 with all existing members auto-enrolled into the Brakes Group Personal Pension Plan. Minimum contribution rates for ex-members of the Brakes Money Purchase Pension Plan are 3% of pensionable salary for members and 4% for employers, with higher employers contributions for managers.

(iv) The Fresh Direct Group Personal Pension Plans which were opened on 1 January 2014 are qualifying workplace pension schemes that the Group is using to meet the automatic enrolment legislative requirements. For auto-enrolment members the contribution rates are 1% of pensionable salary for members and for employers. The funds are invested in two separate pension plans, one with The National Employment Savings Trust (NEST) and the other with The Standard Life Group. All auto-enrolled members belong to one scheme or the other, depending on their employment grade.

In Sweden, the subsidiary company Menigo Foodservice AB, provides employees with defined benefit and defined contribution pension schemes. The majority of the arrangements are provided in accordance with the ITP plan (supplementary pension for industrial salaried employees). The Group's employees in Sweden are provided with ITP retirement benefits via an unfunded defined benefit plan. For certain salaried employees, the ITP pensions are secured through the insurance company Alecta. The plan is reported as a defined contribution plan with the premiums paid reflecting the pension cost.

In BCED, for the subsidiary companies Brake France Service SAS and Davigel SAS, all employees are provided retirement indemnity benefits (Indemnitéde Départ en Retraite "IDR"). These are unfunded arrangements that provides retirement benefits based on service and salary, with different level of benefits depending on employees' position and grade.

The Company did not operate any defined contribution schemes or defined benefit schemes during the financial year ended 31 December 2015.

**The amounts recognised in the statement of financial position for defined benefit plans are set out below:**

| | Group | Group |
|---|---|---|
| | **2015** | 2014 |
| | **£m** | £m |
| Present value of funded obligations | **220.5** | 232.4 |
| Present value of unfunded obligations | **38.1** | 20.4 |
| Fair value of plan assets | **(191.4)** | (191.4) |
| Net pension liability recognised in the statement of financial position | **67.2** | 61.4 |

**Notes to the financial statements**

**18. Retirement benefit obligations (continued)**

**The movement in the retirement benefit obligation during the year is as follows:**

| Retirement benefit obligations | UK £m | BCED £m | Sweden £m | Group £m |
|---|---|---|---|---|
| At 1 January 2015 | **35.0** | **6.0** | **20.4** | **61.4** |
| Exchange adjustment | **-** | **0.1** | **(0.4)** | **(0.3)** |
| Acquisition of subsidiary (note 24) | **-** | **12.5** | **-** | **12.5** |
| Interest expense | **1.3** | **0.2** | **0.5** | **2.0** |
| Administrative expenses | **0.1** | **-** | **-** | **0.1** |
| Current service cost | **-** | **0.6** | **0.6** | **1.2** |
| Contributions paid in the year | **(1.8)** | **(0.3)** | **(0.5)** | **(2.6)** |
| Remeasurements recognised in other comprehensive income | **(5.5)** | **(0.9)** | **(0.7)** | **(7.1)** |
| **At 31 December 2015** | **29.1** | **18.2** | **19.9** | **67.2** |

| Retirement benefit obligations | UK £m | BCED £m | Sweden £m | Group £m |
|---|---|---|---|---|
| At 1 January 2014 | 23.8 | 5.4 | 21.1 | 50.3 |
| Exchange adjustment | - | (0.4) | (2.8) | (3.2) |
| Interest expense | 1.1 | 0.2 | 0.7 | 2.0 |
| Administrative expenses | 0.2 | - | - | 0.2 |
| Current service cost | - | 0.3 | 0.6 | 0.9 |
| Contributions paid in the year | (2.1) | (0.2) | (0.5) | (2.8) |
| Remeasurements recognised in other comprehensive income | 12.0 | 0.7 | 1.3 | 14.0 |
| At 31 December 2014 | 35.0 | 6.0 | 20.4 | 61.4 |

**The amounts recognised in the income statement and other comprehensive income for defined benefit plans are set out below:**

| Retirement benefit obligations | UK 2015 £m | BCED 2015 £m | Sweden 2015 £m | Group 2015 £m |
|---|---|---|---|---|
| **Operating cost** | | | | |
| Service costs: | | | | |
| - Current service cost | **-** | **0.6** | **0.6** | **1.2** |
| - Administrative expenses | **0.1** | **-** | **-** | **0.1** |
| Total operating costs | **0.1** | **0.6** | **0.6** | **1.3** |
| **Financing cost** | | | | |
| Interest expense | **1.3** | **0.2** | **0.5** | **2.0** |
| **Total income statement charge** | **1.4** | **0.8** | **1.1** | **3.3** |
| **Remeasurements recognised in other comprehensive income** | | | | |
| - gains from changes in demographic assumptions | **-** | **(0.9)** | **(0.7)** | **(1.6)** |
| - gains from changes in financial assumptions | **(4.4)** | **-** | **-** | **(4.4)** |
| - experience gains | **(2.5)** | **-** | **-** | **(2.5)** |
| - losses on return on scheme assets | **1.4** | **-** | **-** | **1.4** |
| **Total amount recognised in other comprehensive income** | **(5.5)** | **(0.9)** | **(0.7)** | **(7.1)** |

| Retirement benefit obligations | UK 2014 £m | BCED 2014 £m | Sweden 2014 £m | Group 2014 £m |
|---|---|---|---|---|
| **Operating cost** | | | | |
| Service costs: | | | | |
| - Current service cost | - | 0.3 | 0.6 | 0.9 |
| - Administrative expenses | 0.2 | - | - | 0.2 |
| Total operating costs | 0.2 | 0.3 | 0.6 | 1.1 |
| **Financing cost** | | | | |
| Interest expense | 1.1 | 0.2 | 0.7 | 2.0 |
| **Total income statement charge** | 1.3 | 0.5 | 1.3 | 3.1 |
| **Remeasurements recognised in other comprehensive income** | | | | |
| - losses from changes in demographic assumptions | 0.7 | 1.3 | 1.6 | 3.6 |
| - losses from changes in financial assumptions | - | - | 27.5 | 27.5 |
| - experience gains | - | - | (0.7) | (0.7) |
| - gains on return on scheme assets | - | - | (14.4) | (14.4) |
| **Total amount recognised in other comprehensive income** | 0.7 | 1.3 | 14.0 | 16.0 |

**The amounts recognised in the income statement for defined contribution plans are set out below:**

| | **2015 £m** | 2014 £m |
|---|---|---|
| Defined contribution schemes | **8.5** | 8.3 |

## Notes to the financial statements

### 18. Retirement benefit obligations (continued)

**Reporting at 31 December 2015**
The independent actuary calculates the defined benefit obligation annually by adjusting the results of the latest triennial funding valuation at 5 April 2013 to the statement of financial position date, taking account of experience over the period since 5 April 2013, changes in market conditions, and differences in the financial and demographic assumptions. The present value of the defined benefit obligation is measured using the projected unit credit method. The principal financial and demographic assumptions used to calculate liabilities for the periods ended 31 December are set out below.

| *Financial assumptions* | **2015 %** | 2014 % |
|---|---|---|
| *UK assumptions:* | | |
| Rate of increase in pensions in payment and deferred pensions | **3.0** | 3.0 |
| Discount rate | **3.8** | 3.7 |
| Inflation assumption RPI | **3.1** | 3.0 |
| Inflation assumption CPI | **1.9** | 1.8 |
| *France assumptions:* | | |
| Discount rate | **2.0** | 2.0 |
| Salary increase | **2.5** | 2.5 |
| Inflation | **2.0** | 2.0 |
| *Sweden assumptions:* | | |
| Discount rate | **3.0** | 2.8 |
| Salary increase | **2.7** | 2.7 |
| Inflation | **1.5** | 1.5 |

*Demographic assumptions*

*Mortality rate UK assumptions:*
The mortality assumptions are based on the recent actual mortality experience of Scheme pensioners and a socio-economic analysis of the Scheme membership, and allow for expected future improvements in mortality rates. The average life expectancy in years of a pensioner retiring at age 65 on the date of the statement of financial position is as follows:

| | **2015** | 2014 |
|---|---|---|
| Male | **21.5** | 21.4 |
| Female | **23.9** | 23.8 |

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

| | **2015** | 2014 |
|---|---|---|
| Male | **22.7** | 22.7 |
| Female | **25.4** | 25.4 |

*Sensitivity to key assumptions*
The key assumptions used for IAS 19 are: discount rate, inflation and mortality. If different assumptions were used in the UK, this could have a material effect on the results disclosed. The sensitivity of the retirement benefit obligation to these assumptions is as follows.

- Following a 0.2% pa decrease in the discount rate the deficit would increase by £8.1m from £67.2m to £75.3m.

- Following a 0.2% pa increase in the RPI inflation assumption (with consequential changes in dependent assumptions) the deficit would increase by £6.3m from £67.2m to £73.5m.

- Following a 1 year increase in life expectancy the deficit would increase by £7.1m from £67.2m to £74.3m.

The sensitivity information shown above has been prepared using the same method as adopted when adjusting the results of the latest funding valuation to the date of statement of financial position . This is the same approach as has been adopted in previous periods.

**Analysis of movement in present value of retirement benefit obligations during the year is as follows:**

| | **UK (funded obligations) 2015 £m** | **BCED (unfunded obligations) 2015 £m** | **Sweden (unfunded obligations) 2015 £m** | **Group 2015 £m** |
|---|---|---|---|---|
| At 1 January | **226.4** | **6.0** | **20.4** | **252.8** |
| Exchange adjustment | **-** | **0.1** | **(0.4)** | **(0.3)** |
| Acquisition of subsidiaries (note 24) | **-** | **12.5** | **-** | **12.5** |
| Interest expense | **8.1** | **0.2** | **0.5** | **8.8** |
| *Remeasurements:* | | | | |
| - gains from changes in demographic assumptions | **-** | **(0.9)** | **(0.7)** | **(1.6)** |
| - gains from changes in financial assumptions | **(4.4)** | **-** | **-** | **(4.4)** |
| - experience gains | **(2.5)** | **-** | **-** | **(2.5)** |
| Contributions paid by employer | **-** | **(0.3)** | **(0.5)** | **(0.8)** |
| Current service cost | **-** | **0.6** | **0.6** | **1.2** |
| Benefits paid | **(7.1)** | **-** | **-** | **(7.1)** |
| At 31 December | **220.5** | **18.2** | **19.9** | **258.6** |

| | UK (funded obligations) 2014 £m | BCED (unfunded obligations) 2014 £m | Sweden (unfunded obligations) 2014 £m | Group 2014 £m |
|---|---|---|---|---|
| At 1 January | 196.6 | 5.4 | 21.1 | 223.1 |
| Exchange adjustment | - | (0.4) | (2.8) | (3.2) |
| Interest expense | 8.9 | 0.2 | 0.7 | 9.8 |
| *Remeasurements:* | | | | |
| - (gains) / losses from changes in demographic assumptions | (0.4) | 0.7 | 1.3 | 1.6 |
| - losses from changes in financial assumptions | 27.5 | - | - | 27.5 |
| - experience gains | (0.7) | - | - | (0.7) |
| Contributions paid by employer | - | (0.2) | (0.5) | (0.7) |
| Current service cost | - | 0.3 | 0.6 | 0.9 |
| Benefits paid | (5.5) | - | - | (5.5) |
| At 31 December | 226.4 | 6.0 | 20.4 | 252.8 |

**18. Retirement benefit obligations (continued)**

**Analysis of movement in fair value of scheme assets during the year is as follows:**

| | UK and Group 2015 £m | UK and Group 2014 £m |
|---|---|---|
| At 1 January | **191.4** | 172.8 |
| Interest income on scheme assets | **6.8** | 7.8 |
| *Remeasurements:* | | |
| - (losses) / gains on return on scheme assets | **(1.4)** | 14.4 |
| Administrative expenses | **(0.1)** | (0.2) |
| Contributions paid by employer | **1.8** | 2.1 |
| Benefits paid | **(7.1)** | (5.5) |
| At 31 December | **191.4** | 191.4 |

The Plan assets are invested in the following asset classes:

| | 2015 £m | 2015 Of which not quoted in an active market £m | 2014 £m | 2014 Of which not quoted in an active market £m |
|---|---|---|---|---|
| Equities | **64.6** | **0.6** | 50.0 | - |
| Property | **5.7** | **5.7** | 3.0 | 3.0 |
| Macro orientated | **32.8** | **-** | 36.6 | - |
| Multi strategy | **10.5** | **-** | 6.2 | - |
| Credit/Corporate bonds | **23.3** | **-** | 36.3 | - |
| Government bonds | **27.6** | **-** | 39.7 | - |
| Derivatives | **1.5** | **1.5** | 2.7 | 2.6 |
| Cash and cash equivalents | **25.4** | **-** | 16.9 | - |
| At 31 December | **191.4** | **7.8** | 191.4 | 5.6 |

**Further details on the Brake Bros plc Pension Scheme**
*Profile of the scheme*

The defined benefit obligation includes benefits for deferred and current pensioners. Broadly, about 69% of the liabilities is attributable to deferred pensioners and 31% to current pensioners.

The scheme duration is an indicator of the weighted-average time until benefit payments are made. For the scheme as a whole, the duration is around 18 years reflecting the approximate split of the defined benefit obligation between deferred pensioners (duration of 21 years) and current pensioners (duration of 12 years).

The table below illustrates the profile of projected future benefit payments from the scheme.

*Expected maturity analysis of undiscounted pension benefits*

| At 31 December 2014 | Less than one year | Between one and two years | Between two and five years | Over five years |
|---|---|---|---|---|
| Pension benefits | 1% | 1% | 4% | 94% |

*Funding requirements*

UK legislation requires that pension schemes are funded prudently. The last funding valuation of the UK scheme was carried out by a qualified actuary as at 5 April 2013 and showed a deficit of £40.2m. The Group is paying deficit contributions of £1.5m per annum which, along with investment returns from return-seeking assets, is expected to make good this shortfall by 2026. The Group also pays contributions of £0.3m per annum respect of the expenses of administering the scheme. A contribution of £1.8m is expected to be paid by the Group during the year ending 31 December 2016.

*Risks associated with the scheme*

| | |
|---|---|
| Asset volatility | The liabilities are calculated using a discount rate set with reference to corporate bond yields; if assets underperform this yield, this will create a deficit. The scheme holds a significant proportion of growth assets (equities, high yield bonds, property and alternatives) which, though expected to outperform corporate bonds in the long-term, create volatility and risk in the short-term. The allocation to growth assets is monitored to ensure it remains appropriate given the scheme's long-term objectives. |
| Changes in bond yields | A decrease in corporate bond yields will increase the value placed on the scheme's liabilities for accounting purposes, although this will be partially offset by an increase in the value of the scheme's interest rate matching assets. The scheme's investment strategy is to hedge interest rate risk although it is currently only partially hedged, meaning that a decrease in interest rates will increase the deficit. |
| Inflation risk | A significant proportion of the scheme's benefit obligations are linked to inflation and higher inflation will lead to higher liabilities (although, in most cases, caps on the level of inflationary increases are in place to protect against extreme inflation), although this will be partially offset by an increase in the value of the scheme's inflation matching assets. The scheme's investment strategy is to hedge inflation risk although it is currently only partially hedged, meaning that an increase in inflation will increase the deficit. |
| Life expectancy | The majority of the scheme's obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the liabilities. |

The Group and Trustees have agreed a long-term strategy for reducing investment risk as and when appropriate. This includes diversification of growth assets to reduce volatility and an asset-liability matching policy which aims to reduce the volatility of the funding level of the pension plan by investing in assets such as swaps which perform in line with the liabilities of the plan so as to protect against inflation being higher than expected or market yields being lower than expected.

The UK Government intends to implement legislation which could result in an increase in the value of Guaranteed Minimum Pension for males. This would increase the defined benefit obligation of the plan. At this stage, it is not possible to accurately quantify the impact of this change.

Group actuarial gains of £7.1m (2014: £14.0m losses) were recognised in the year and included in the consolidated statement of comprehensive income. The cumulative amount of actuarial losses included in the consolidated statement of comprehensive income is £50.1m (2014: £57.2m).

The actual gain on plan assets was £5.4m (2014: £22.2m).

**19. Provisions for other liabilities and charges**

| **Property dilapidation and onerous lease obligations** | Group **2015** **£m** | Group 2014 £m |
|---|---|---|
| At 1 January | **22.3** | 13.2 |
| At 1 January reclassification from accruals | **-** | 1.0 |
| Acquisition of subsidiary (note 24) | **4.4** | - |
| Charged to the income statement during the year | **-** | 2.9 |
| Provisions for property, plant and equipment additions during the year | **1.9** | 5.4 |
| Utilised during the year | **(0.8)** | (0.2) |
| **At 31 December** | **27.8** | 22.3 |
| Non-current | **24.2** | 21.1 |
| Current | **3.6** | 1.2 |
| | **27.8** | 22.3 |

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

## Notes to the financial statements

### 20. Deferred tax liabilities

The movement on the deferred tax account is as shown below:

| Deferred tax | Group **2015** **£m** | Group 2014 £m |
|---|---|---|
| At 1 January | **22.4** | 36.5 |
| Exchange adjustment | **0.5** | 0.2 |
| Acquisition of subsidiaries (note 24) | **17.3** | |
| Tax credit on cash flow hedges taken directly to other comprehensive income | **-** | (0.5) |
| Tax charge / (credit) on retirement benefit obligation actuarial gains and losses taken directly to other comprehensive income | **1.9** | (3.0) |
| Credited to the income statement in the year | **(12.5)** | (10.8) |
| **At 31 December** | **29.6** | 22.4 |

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

| **Deferred tax liabilities** | **Customer lists and brands £m** | **Property, plant and equipment fair value adjustments £m** | **Other £m** | **Total £m** |
|---|---|---|---|---|
| At 1 January 2014 | (64.0) | (3.9) | (1.1) | (69.0) |
| Credited to the income statement in the year | 8.5 | 0.7 | 0.4 | 9.6 |
| At 31 December 2014 | (55.5) | (3.2) | (0.7) | (59.4) |
| At 1 January 2015 | (55.5) | (3.2) | (0.7) | (59.4) |
| Exchange | (0.2) | - | (0.2) | (0.4) |
| Acquisition of subsidiaries (note 24) | (11.3) | - | (6.8) | (18.1) |
| Credited to the income statement in the year | 7.8 | 1.7 | 0.5 | 10.0 |
| **At 31 December 2015** | **(59.2)** | **(1.5)** | **(7.2)** | **(67.9)** |

| **Deferred tax assets** | Property, plant and equipment £m | Cash flow hedges £m | Retirement benefit obligations £m | Tax losses £m | Total £m |
|---|---|---|---|---|---|
| At 1 January 2014 | - | - | 8.3 | 5.8 | 14.1 |
| At 1 January 2014 reclassification from deferred tax liabilities | 18.4 | - | - | - | 18.4 |
| Exchange adjustment | - | - | (0.2) | - | (0.2) |
| Tax credit on cash flow hedges taken directly to other comprehensive income | - | 0.5 | - | - | 0.5 |
| Tax credit on retirement benefit obligation actuarial gains taken directly to other comprehensive | - | - | 3.0 | - | 3.0 |
| (Charged) / credited to the income statement in the year | (1.9) | - | (0.1) | 3.2 | 1.2 |
| At 31 December 2014 | 16.5 | 0.5 | 11.0 | 9.0 | 37.0 |
| At 1 January 2015 | 16.5 | 0.5 | 11.0 | 9.0 | 37.0 |
| Exchange adjustment | - | - | (0.1) | - | (0.1) |
| Acquisition of subsidiaries (note 24) | 0.8 | - | - | - | 0.8 |
| Tax charge on retirement benefit obligation actuarial losses taken directly to other comprehensive | - | - | (1.9) | - | (1.9) |
| Credited / (charged) to the income statement in the year | 3.7 | - | 0.3 | (1.5) | 2.5 |
| **At 31 December 2015** | **21.0** | **0.5** | **9.3** | **7.5** | **38.3** |

| **Net deferred tax liabilities at 31 December 2015** | **(29.6)** |
|---|---|

All of the deferred tax assets were available for offset against deferred tax liabilities and hence the net deferred tax liability at 31 December 2015 was £29.6m (2014: £22.4m).

Deferred tax assets have been recognised in respect of tax losses, to the extent that it is considered probable based on internal forecasts, that these assets will be recovered. In respect of tax losses and retirement benefit obligations the deferred tax asset expected to be recovered after more than one year is £4.9m (2014: £7.4m) and £5.5m (2014: £6.6m) respectively. There are unrecognised deferred tax assets of £42.8m (2014: £38.0m) in respect of unutilised tax losses in the UK. There is no expiry date for these losses. There is an unrecognised deferred tax asset of £13.2m in respect of the discount which arose on refinancing part of the Group's bank debt in 2012. The asset is unrecognised on the basis that in the directors' opinion there is currently insufficient evidence of recoverability. There is no expiry date for this unrecognised asset. The deferred tax charged to other comprehensive income during the year amounted to £1.9m (2014: £3.0m credit).

### 21. Share capital

| **Group and Company** | | **2015** **£m** | | 2014 £m |
|---|---|---|---|---|
| Authorised | | | | |
| 30,000,000 (2014: 30,000,000) ordinary shares of £1 | | **30.0** | | 30.0 |
| Issued and fully paid | Number | **£m** | Number | £m |
| **Ordinary shares of £1 each** | | | | |
| At 1 January | **20,680,979** | **20.7** | 20,680,979 | 20.7 |
| **At 31 December** | **20,680,979** | **20.7** | 20,680,979 | 20.7 |

No shares have been issued during the year.

### Notes to the financial statements

#### 22. Reserves

| Group | Equity reserve £m | Other reserves: Hedging £m | Currency £m | Total other reserves £m | Accumulated deficit £m | Total £m |
|---|---|---|---|---|---|---|
| At 1 January 2015 | (14.1) | (2.0) | (2.8) | (18.9) | (745.7) | (764.6) |
| Loss for the year | - | - | - | - | (182.9) | (182.9) |
| Adjustments arising from change in non-controlling interest | (15.6) | - | - | (15.6) | - | (15.6) |
| Cash flow hedges - fair value losses for the year | - | - | - | - | - | - |
| Taxation on cash flow hedges | - | - | - | - | - | - |
| Net exchange differences on foreign currency translations | - | - | 0.2 | 0.2 | - | 0.2 |
| Retirement benefit obligation actuarial loss | - | - | - | - | 6.9 | 6.9 |
| Taxation on retirement benefit obligation actuarial loss | - | - | - | - | (1.7) | (1.7) |
| **At 31 December 2015** | **(29.7)** | **(2.0)** | **(2.6)** | **(34.3)** | **(923.4)** | **(957.7)** |

| Group | Equity reserve £m | Other reserves: Hedging £m | Other £m | Total other reserves £m | Accumulated deficit £m | Total £m |
|---|---|---|---|---|---|---|
| At 1 January 2014 | (14.1) | (0.1) | (14.0) | (28.2) | (563.8) | (592.0) |
| Loss for the year | - | - | - | - | (171.6) | (171.6) |
| Cash flow hedges - fair value losses for the year | - | (2.4) | - | (2.4) | - | (2.4) |
| Taxation on cash flow hedges | - | 0.5 | - | 0.5 | - | 0.5 |
| Net exchange differences on foreign currency translations | - | - | 11.2 | 11.2 | - | 11.2 |
| Retirement benefit obligation actuarial gain | - | - | - | - | (13.0) | (13.0) |
| Taxation on retirement benefit obligation actuarial gain | - | - | - | - | 2.7 | 2.7 |
| At 31 December 2014 | (14.1) | (2.0) | (2.8) | (18.9) | (745.7) | (764.6) |

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

| Company | Equity reserve £m | (Accumulated deficit) / retained earnings £m | Total £m |
|---|---|---|---|
| At 1 January 2015 | - | (128.8) | (128.8) |
| Adjustments arising from change in non-controlling interest | (35.7) | - | (35.7) |
| Loss for the year | - | (148.6) | (148.6) |
| **At 31 December 2015** | **(35.7)** | **(277.4)** | **(313.1)** |

| Company | (Accumulated deficit) / retained earnings £m | Total £m |
|---|---|---|
| At 1 January 2014 | 15.9 | 15.9 |
| Loss for the year | (144.7) | (144.7) |
| At 31 December 2014 | (128.8) | (128.8) |

#### 23. Cash generated from operating activities

Reconciliation of loss before taxation to net cash generated from operations for the year ended 31 December 2015

| | Group **2015** **£m** | Group 2014 £m | Company **2015** **£m** | Company 2014 £m |
|---|---|---|---|---|
| Loss before taxation | **(183.8)** | (179.2) | **(156.7)** | (148.0) |
| *Adjustments for:* | | | | |
| Finance income | **(2.1)** | (0.6) | **(65.8)** | (44.4) |
| Finance costs | **205.1** | 195.7 | **217.1** | 192.4 |
| Depreciation charges | **42.2** | 35.1 | **-** | - |
| Amortisation and impairment of intangibles | **51.9** | 59.6 | **-** | - |
| Retirement benefit contributions paid | **(2.6)** | (2.8) | **-** | - |
| (Profit) / loss on sale of property, plant and equipment | **(0.6)** | 2.3 | **-** | - |
| Property, plant and equipment impairment loss | **2.3** | 2.3 | **-** | - |
| Decrease / (increase) in inventories | **5.7** | (6.8) | **-** | - |
| Increase in trade and other receivables | **(1.2)** | (4.6) | **-** | - |
| Increase in trade and other payables | **28.6** | 22.9 | **5.4** | - |
| Cash generated from operations | **145.5** | 123.9 | **-** | - |

### Notes to the financial statements

#### 24. Business combinations

On 23 February 2015, the Group formed a new company, the Fresh Direct Group Limited. This is wholly owned by Cucina Fresh Finance Limited, which is also a new company formed on 23 February 2015. The Group transferred its existing M&J Seafood business and Pauleys fruit and vegetable business and the entire share capital of its existing Wild Harvest company to Fresh Direct Group Limited. The owners of Fresh Holdings Limited transferred the entire share capital of Fresh Holdings Limited, including its wholly owned trading subsidiary undertaking Fresh Direct (UK) Limited, to Fresh Direct Group Limited. As a consequence of this transaction, the Group owns 80.47% of the issued share capital of Cucina Fresh Finance Limited. The former investors in Fresh Holdings Limited hold 18.93% of the share capital in Cucina Fresh Finance Limited and management hold the remaining 0.60%. The Group has 68% of the voting rights of Cucina Fresh Finance Limited with the former investors of Fresh Holdings Limited owning the remaining 32% voting rights. The transaction resulted in total consideration to the former owners of Fresh Holdings Limited of £58.2m, comprising cash and deferred consideration payments of £50m and contribution of business assets and liabilities of £8.2m.

Fresh Holdings Limited trades as Fresh Direct. Fresh Direct is a food supplier sourcing a range of fresh products and delivers nationally to a diverse range of customers. It was acquired to provide the Group with a broader fresh food offer with the capability to deliver fresh products six or seven days per week, from dedicated local fresh depots. Fresh Direct will allow the Group to unlock and develop new opportunities and grow its businesses with customers in the fresh arena.

On 2 November 2015, the Group acquired 100% of the issued share capital of Davigel SAS for a total consideration of £90.6m. Davigel is a major supplier of chilled and frozen food for the European foodservice industry. The acquisition strengthens the Group's position as a major player in France as well as opening up new markets in Belgium, Luxembourg and Spain. The Group will also benefit from Davigel's position as exclusive distributor of Nestle and Movenpick ice creams in France.

The amounts recognised in respect of the identifiable assets acquired and liabilities assumed are as set out in the table below.

| | Davigel SAS (provisional fair values) £m | Fresh Direct £m | Total £m |
|---|---|---|---|
| Identifiable intangible assets | **8.6** | **42.5** | **51.1** |
| Property, plant and equipment | **98.3** | **6.0** | **104.3** |
| Inventory | **58.1** | **3.8** | **61.9** |
| Trade and other receivables | **66.2** | **29.8** | **96.0** |
| Cash at bank | **4.9** | **6.1** | **11.0** |
| Financial liabilities - borrowings | **(7.9)** | **(14.4)** | **(22.3)** |
| Trade and other payables | **(75.3)** | **(29.8)** | **(105.1)** |
| Loan payable to former parent company | **(39.4)** | **-** | **(39.4)** |
| Current income tax liabilities | **-** | **(0.6)** | **(0.6)** |
| Deferred tax liabilities | **(8.8)** | **(8.5)** | **(17.3)** |
| Retirement benefit obligations | **(12.5)** | **-** | **(12.5)** |
| Provisions for other liabilities and charges | **(1.6)** | **(2.8)** | **(4.4)** |
| Total identifiable assets | **90.6** | **32.1** | **122.7** |
| Non-controlling interest | **-** | **(10.2)** | **(10.2)** |
| Goodwill | **-** | **36.3** | **36.3** |
| Total consideration | **90.6** | **58.2** | **148.8** |

| | Davigel SAS £m | Fresh Direct £m | Total £m |
|---|---|---|---|
| Satisfied by: | | | |
| Cash | **17.9** | **20.0** | **37.9** |
| Contribution of business assets and liabilities | **-** | **8.2** | **8.2** |
| Deferred consideration | **7.1** | **30.0** | **37.1** |
| Davigel preference shares | **65.6** | **-** | **65.6** |
| Total consideration transferred | **90.6** | **58.2** | **148.8** |

*Fresh Direct:*
The deferred consideration requires the Group to pay £20.0m to the former owners of Fresh Direct on the earlier of the first anniversary of completion, 23 February 2016, and £10.0m on the second anniversary, 23 February 2017, or the occurrence of the sale of Brake Bros Limited or a Group debt default.

The contribution of the business assets and liabilities of £8.2m represented the fair value of the assets and liabilities contributed by the Group. As a result of this contribution an adjustment for the Group of £19.2m has been recognised in equity reserves.

In the event of a Bain Capital sale of its shares in the Group, the Fresh Direct sale and purchase agreement gives Cucina Acquisition (UK) Limited a call option to acquire, and the owners of the remaining minority stake in the Fresh Direct Group a put option to sell their remaining shares in the Fresh Direct Group. The call option enables Cucina Acquisition (UK) Limited to acquire all of the minority stake, whilst the put option is proportional to the sell down of shares by Bain Capital. The cost of exercising this option was included in the statement of financial position on acquisition with a liability of £35.7m included in accruals and an entry included in equity reserves. The increase of £5.4m in the cost to exercise this option since the date of acquisition and the statement of financial position date has been added to accruals and charged to the income statement within exceptional costs.

The put option has the effect of distributing 32% of the value of the business in a sale to the non-controlling interest, and on this basis the non-controlling interest has therefore been calculated at 32%.

*Davigel:*
The deferred consideration for Davigel requires the Group to pay £7.1m to the former owners should Davigel be successful in transitioning the business across from the former owner's IT systems onto a replacement system by 31 December 2016.

The fair value of the contingent consideration arrangement of £7.1m was estimated by considering the probability of the likely outcomes and the value payable based on each of these outcomes. After reviewing the terms of the agreement and considering the timing of key strategic plans for the Group, management believe that separation of the system will occur by the target date and therefore this consideration is likely to fall due.

The £65.6m Davigel preference shares were issued to Nestle on 2 November 2015 to fund the acquisition. The preference shares are exchangeable for IPO shares (see note 16 to the financial statements for further details).

| | Davigel SAS £m | Fresh Direct £m | Total £m |
|---|---|---|---|
| *Net cash outflow arising on acquisition:* | | | |
| Cash consideration | **17.9** | **20.0** | **37.9** |
| Less: cash and cash equivalent balances acquired | **(4.9)** | **(6.1)** | **(11.0)** |
| | **13.0** | **13.9** | **26.9** |

Goodwill, being the excess of the consideration over the net tangible and intangible assets acquired, represents benefits which do not qualify for recognition as intangible assets, including the ability of a business to generate higher returns than individual assets, skilled workforces, and acquisition of synergies that are specific to the Group. The goodwil recognised of £36.3m is non-tax deductble.

The fair value of the financial assets includes trade and other receivables with a fair value of £66.2m and £29.8m and a gross contractual value of £71.2m and £30.5m for Davigel and Fresh Direct respectively. The best estimate at acquisition date of the contractual cash flows not to be collected are £5.0m and £0.7m for Davigel and Fresh Direct respectively.

The fair values of the Davigel assets and liabilities acquired are provisional. The Directors are contining to assess the impact of accounting for this acquisition up to the date of these financial statements. Final fair values will be incorporated in the 2016 financial statements.

## Notes to the financial statements

### 24. Business combinations (continued)

*Financial information*
In 2015, the acquired businesses, Davigel and Fresh Direct, contributed £87.1m and £185.2m to revenue, increased EBITDA by £3.5m and £11.4m and increased / (decreased) profit before finance costs and tax by £(1.1)m and £4.6m respectively, for the part year under the Group's ownership and before taking account of acquisition financing costs.

Had the businesses been acquired at the beginning of the year, the Group's revenues, would have been £3,702.7m with Davigel contributing £466.2m and Fresh Direct contributing £213.8m. EBITDA for the year would have been £184.2m with Davigel contributing £16.1m and Fresh Direct contributing £11.9m. The profit for the year before finance costs and tax would have been £8.4m, with Davigel contributing £4.1m and Fresh Direct contributing £4.3m and which include the amortisation of acquired intangible assets.

Acquisition-related transaction costs (included in exceptional items in administrative expenses) amount to £14.0m.

A reconciliation of profit for the year before finance costs and tax to EBITDA for the acquisitions is set out below.

| | Davigel SAS £m | Fresh Direct £m | Total £m |
|---|---|---|---|
| **Profit for the year before finance costs and tax** | **4.1** | **4.3** | **8.4** |
| Depreciation and amortisation | **12.0** | **5.4** | **17.4** |
| Restructuring of the UK distribution network | **-** | **1.7** | **1.7** |
| Other UK restructuring costs and other costs | **-** | **0.5** | **0.5** |
| Total exceptional items | **-** | **2.2** | **2.2** |
| EBITDA | **16.1** | **11.9** | **28.0** |

### 25. Employees and directors' emoluments

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

| | 2015 Number | 2014 Number |
|---|---|---|
| Distribution, manufacturing and selling | **11,236** | 9,380 |
| Administration | **1,182** | 979 |
| | **12,418** | 10,359 |

| | 2015 £m | 2014 £m |
|---|---|---|
| The costs incurred in respect of these employees were: | | |
| Wages and salaries | **336.9** | 292.4 |
| Social security costs | **57.8** | 52.3 |
| Defined benefit pension costs | **1.2** | 1.3 |
| Defined contribution pension costs (note 18) | **8.5** | 8.3 |
| | **404.4** | 354.3 |

The Company has no employees or employee related costs.

**Key management compensation**

| | 2015 £m | 2014 £m |
|---|---|---|
| Salaries and short-term benefits | **7.9** | 7.3 |
| Post-employment benefits | **0.4** | 0.3 |
| | **8.3** | 7.6 |

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

As part of management incentive plans certain emloyees in the UK and BCED hold 155,894,040 (2014: 154,291,563) ordinary shares across various categories with different entitlements and loan notes with a nominal value of £3.5m (2014: £3.4m) in the subsidiary undertaking Cucina Investments (UK) 3 Limited. Certain employees also hold loan notes with a nominal value of £3.1m (2014: £3.1m) in the subsidiary undertaking, Cucina Investments (UK) 2 Limited. The incentive plan for these employees is based on the performance of the Group. These shareholdings do not constitute a non-controlling interest in the Group.

In Sweden certain employees hold 16,742,023 A and B warrants in the subsidiary undertaking Cidron Food Holdings S.à r.l. The incentive plan in Sweden is based on the performance of the subsidiary undertaking Menigo Foodservice AB.

All of the above incentive plans are expected to crystallise when Bain sells its investment in the Group.

Certain Fresh Direct employees hold 561,089 C shares and 470,807 D shares in the subsidiary undertaking Cucina Fresh Finance Limited. The incentive plan for these employees is based on the performance of the Fresh Direct Group.

The loan notes held by employees in Cucina Investments (UK) 3 Limited and Cucina Investments (UK) 2 Limited accrue interest at 7%.

Directors of subsidiary undertakings hold 100,448,172 (2014: 101,107,254) ordinary shares across various categories with different entitlements and loan notes with a nominal value of £1.0m (2014: £1.1m) in the subsidiary undertaking, Cucina Investments (UK) 3 Limited and loan notes with a nominal value of £0.6m (2014: £0.9m) in the subsidiary undertaking, Cucina Investments (UK) 2 Limited.

| **Directors' emoluments** | 2015 £'000 | 2014 £'000 |
|---|---|---|
| Aggregate emoluments | **3,233** | 3,328 |
| Company pension contributions to money purchase schemes | **184** | 169 |

Retirement benefits are accruing to 5 (2014: 6) directors under money purchase pension arrangements only.

| Emoluments paid to the highest paid director are as follows: | | |
|---|---|---|
| Aggregate emoluments and benefits | **1,146** | 1,226 |
| Company pension contributions to money purchase schemes | **59** | 59 |

**Notes to the financial statements**

**26. Commitments**

**(a) Capital commitments**

| Group | 2015 £m | 2014 £m |
|---|---|---|
| **At 31 December** | | |
| Contracted for but not provided | **27.4** | 29.4 |

Capital commitments amounting to £0.3m (2014: £4.6m) are in respect of the development of the UK distribution network and land and buildings, £19.7m (2014: £22.6m) is in respect of motor vehicles and £7.4m (31 December 2014: £2.2m) is in respect of plant and machinery, IT hardware and software.

**(b) Operating lease commitments**
The total of future minimum lease payments in respect of non-cancellable operating leases are as follows:

| | 2015 | | 2014 | |
|---|---|---|---|---|
| Group | Land and buildings £m | Other £m | Land and buildings £m | Other £m |
| **At 31 December** | | | | |
| Within one year | **28.7** | **7.3** | 22.9 | 6.0 |
| Between two and five years | **98.9** | **10.7** | 83.8 | 6.4 |
| After five years | **169.9** | **1.4** | 176.1 | - |
| | **297.5** | **19.4** | 282.8 | 12.4 |

The Group leases various properties and plant and equipment under non-cancellable operating lease agreements. The leases have various terms and renewal rights. The Group has also sub-let certain properties under non-cancellable sublease agreements and the total of future minimum lease payments expected to be received amounts to £0.7m (2014: £nil).

The Company has no capital commitments or operating lease commitments.

**27. Related party transactions**

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

| (a) Income statement | 2015 £m | 2014 £m |
|---|---|---|
| Finance income on loans to group undertakings | **60.0** | 44.4 |
| Finance costs on loan from parent undertaking | **(121.7)** | (107.7) |
| Finance costs on loans from group undertakings | **(24.5)** | (19.7) |
| Finance costs on senior notes owed to group undertaking | **(38.7)** | (29.1) |
| Administration income from group undertakings | **0.6** | 0.7 |
| Administration expenses from group undertakings | **(0.6)** | (0.6) |
| Group tax relief income | **8.1** | 3.3 |

| (b) Year-end balances at 31 December | 2015 £m | 2014 £m |
|---|---|---|
| Loans owed by subsidiary undertakings | **1,224.7** | 1,133.7 |
| Amounts owed by subsidiary undertakings - finance income | **241.7** | 181.3 |
| Other amounts owed by subsidiary undertakings - group tax relief | **99.8** | 92.3 |
| Other amounts owed by parent undertakings - group tax relief | **59.1** | 58.6 |
| Payment-in-kind loan owed to parent undertaking | **(374.1)** | (347.8) |
| Shareholder loan owed to parent undertaking | **(699.9)** | (610.0) |
| Senior notes owed to group undertaking | **(567.5)** | (573.5) |
| Senior bank loan owed to group undertaking | **(95.7)** | - |
| Premium on Senior notes owed to group undertaking | **(2.4)** | (3.3) |
| Other loans owed to parent undertaking | **(14.4)** | (13.0) |
| Loans owed to subsidiary undertakings | **(408.2)** | (349.5) |
| Amounts owed to parent undertakings - finance costs | **(37.4)** | (33.4) |
| Amounts owed to subsidiary and group undertakings - finance costs | **(99.2)** | (77.8) |
| Other amounts owed to subsidiary undertakings | **(10.8)** | (0.6) |

None of the balances are secured.

As disclosed in note 28 to the financial statements the ultimate controlling parties of the Company are Bain Capital Fund IX E LP and Bain Capital Fund VIII E LP. The Group purchased management and consulting services from Bain Capital which are included within administrative expenses amounting to £1.6m (2014: £1.5m) and £4.1m of transaction costs in relation to acquisitions, which are included within exceptional costs. in 2014 the Company and Group also purchased financial and advisory services amounting to £2.9m included within debt issue costs in the Company and £2.9m included within debt issue costs in the Group, there were no similar costs in 2015. At the year end amounts owed to Bain Capital by the Company and the Group for advisory fees included within trade and other payables amounted to £5.9m (2014: £5.9m) and £5.9m (2014: £6.3m) respectively.

During the year the Group incurred costs amounting to £0.9m (2014: £0.8m) for payment processing services from WorldPay, an associate company of Bain Capital. At the year end amounts owed to WorldPay were £nil (2014: £nil).

Key management compensation is disclosed in note 25.

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

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

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

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

**29. Post balance sheet events**

On 22 February 2016 Bain Capital announced that it had reached a definitive agreement for the sale of the Company's parent undertaking Cucina Lux Investments Limited to North America's leading foodservice distributor Sysco Corporation. It is expected that transaction will complete by July 2016.