BFS Group Limited

Directors' report and financial statements

Registered number 239718

Year ended 30 June 2006

Contents

Directors and company information

Directors:

Executive:

FJ Barnes
DM Bell
I Crawford
A Fisher
A Kemp
R O'Keefe
J Scott
A Selley
IS Uren

Non executive:

B Joffe (Chairman)
DK Rosevear

Secretary

S Calnan

Registered Office

Buckingham Court
Kingsmead Business Park
London Road
High Wycombe
Buckinghamshire
HP11 1JU

Auditors

KPMG LLP
St James' Square
Manchester
M2 6DS

Bankers

HSBC Bank plc
8 Canada Square
London
E14 5XL

Directors' report

The directors present their annual report and the audited financial statements for the year ended 30 June 2006.

Principal activities

The principal activity of the Company, which trades as 3663 First for Foodservice, is the sale and distribution of food and non-food products to the catering trade.

Business review

Development and performance of the business:

The company's performance during the year has been pleasing in the face of a relatively flat market, with a 12 % increase in sales and a 5% increase in operating profit compared to the previous year. This represents the seventh successive year of increased operating profits since the acquisition of the company by The Bidvest Group Limited.

However, the loss of the Ministry of Defence food supply contract, announced in May 2006, will have an impact on the results of the company next year.

During the year, investment in the infrastructure of the business has continued, with replacement depots being opened in Birmingham and Harlow by the Multi-temperature Division and Gorton by the Frozen and Fresh Division. In addition, a new depot has been opened in Lichfield by the Logistics Division in order to accommodate major new contract wins (KFC, Pizza Hut and Nandos) within the estate.

Principle risks and uncertainties:

The company's operational risks include environmental, health and safety and IT / power failures. The management of environmental risks includes an Environmental Management System Manual and internal and external audits and the company has obtained Corporate Certification to ISO14001, which ensures legal environmental compliance and pollution risk management. The management of health and safety risks includes a Health and Safety Manual, annual Risk Assessment Packs, Operations Standards Diaries and internal audits. Disaster recovery procedures exist in the event of power and IT outages and are implemented when required.

The company's commercial risks include unprofitable contracts and bad debts. Potential new business undergoes both a comprehensive profit study and credit checks before being tendered for.

Other risks include external food / health issues, as highlighted by the recent avian flu concerns. In response to this particular concern, the company produced a comprehensive contingency document, detailing procedures to be implemented in the event of a pandemic.

Key Performance Indicators:

KPI's used to monitor the performance of the business include the following:

Turnover
Gross margin %
Gross margin per item
Operating cost per item
Operating profit
Funds employed
Health and safety
Employee headcount, turnover and absence
Service levels to customers
Service levels from suppliers

All financial KPI's are monitored compared to budget and previous year

Directors' report *(continued)*

Results and dividends

The company made a profit for the year of £33,602,000 (2005: £32,302,000)

An interim dividend in respect of the year ended 30 June 2006 of £20,000,000 (6.7p per share) *(2005: £15,000,000 5.0p per share)* was paid during the year. The directors do not recommend the payment of a final dividend.

Property plant and equipment

Movements in property plant and equipment are set out in note 10 of the accounts.

Employment of disabled persons

It is the policy of the Company to give full and fair consideration to applications for employment made by disabled persons having regard to their particular aptitudes and abilities. Wherever possible, arrangements are made for the continued employment of persons who have become disabled during service and for appropriate training, career development and promotion of disabled persons.

Information to employees

Appropriate action has been taken to develop arrangements aimed at providing Company employees with information on matters of concern to them, consulting with employees or their representatives, encouraging their involvement in the Company's performance, and achieving an awareness on the part of employees of the financial and economic factors affecting the Company's performance.

Directors

The directors who held office during the year were:

B Joffe
CH Kretzmann (resigned 5 October 2005)
DK Rosevear
FJ Barnes
I Crawford
A Fisher
A Kemp
R O'Keefe
J Scott
A Selley
IS Uren

After the year end the following appointment was made:

DM Bell (appointed 3 July 2006)

None of the directors who held office at the end of the financial year had any disclosable interest in the shares of the Company or its immediate parent undertaking.

Directors' report *(continued)*

Directors *(continued)*

The interests of FJ Barnes, B Joffe, and DK Rosevear in the ultimate parent undertaking, The Bidvest Group Limited, are disclosed in the Directors' Report of that company. The remaining directors who held office at the end of the financial year had, according to the register of directors' interests, the following changes in interests in the shares of The Bidvest Group Limited, the ultimate parent company.

	Share options Granted during the year	**Share options Exercised during the year**
I Crawford	-	-
A Fisher	-	**20,500**
A Kemp	-	-
R O'Keefe	-	-
J Scott	-	-
A Selley	-	**10,000**
I S Uren	-	-

There are no further disclosable interests in the shares of The Bidvest Group Limited, or its subsidiaries.

Creditor payments

The Company agrees terms and conditions under which business transactions with suppliers are conducted. It is company policy that payments to its suppliers are made in accordance with these terms, provided that the supplier is also complying with all relevant terms and conditions. The trade creditors at the year end represented 55 days of average daily purchases for the year.

Political and charitable contributions

The group made no political contributions during the period. Donations to UK charities amounted to £146,853 *(2005: £46,376)*.

Directors and officers liability insurance

The Company provided qualifying third party indemnity provisions to certain directors of associated companies during the financial year and at the date of this report.

Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditors are unaware; and each director has taken all the steps that he ought to have taken to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Directors' report *(continued)*

Auditors

Pursuant to a shareholders' resolution, the company is not obliged to reappoint its auditors annually and KPMG LLP will therefore continue in office.

By order of the board

S Calnan
Company Secretary

S. Calnan

Buckingham Court
Kingsmead Business Park
London Road
High Wycombe
Buckinghamshire, HP11 1JU

Statement of directors' responsibilities in respect of the directors' report and the financial statements

The directors are responsible for preparing the Directors' Report and the 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 they have elected to prepare the financial statements in accordance with IFRSs as adopted by the EU.

The financial statements are required by law to present fairly the financial position and the performance of the company; the Companies Act 1985 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

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

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and prevent and detect fraud and other irregularities.

KPMG LLP

St James' Square
Manchester
M2 6DS
United Kingdom

Report of the independent auditors to the members of BFS Group Limited

We have audited the financial statements of BFS Group Limited for the year ended 30 June 2006 which comprise the income statement, the balance sheet, the cash flow statement, the statement of recognised income and expense and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU are set out in the Statement of Directors' Responsibilities on page 6.

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

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

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

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

Basis of audit opinion

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

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Report of the independent auditors to the members of BFS Group Limited *(continued)*

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with IFRSs as adopted by the EU, of the state of the company's affairs as at 30 June 2006 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

KPMG LLP

KPMG LLP
Chartered Accountants
Registered Auditor

15 February 2007

Income statement
for the year ended 30 June 2006

	Note	**Year ended 30 June 2006 £000**	Year ended 30 June 2005 £000
Revenue	2	**1,419,675**	1,268,373
Cost of sales		**(1,097,857)**	(971,665)
Gross profit		**321,818**	296,708
Distribution expenses		**(189,241)**	(179,372)
Administration expenses		**(82,943)**	(70,043)
Operating profit	3	**49,634**	47,293
Financial income	4	**1,017**	1,117
Financial expenses	5	**(1,297)**	(1,861)
Net financing costs		**(280)**	(744)
Profit before taxation		**49,354**	46,549
Taxation	8	**(15,752)**	(14,247)
Profit after taxation		**33,602**	32,302

Balance sheet
at 30 June 2006

	Note	**2006 £000**	2005 £000
Non-current assets			
Property, plant and equipment	*10*	**96,243**	82,497
Intangible assets	*11*	**25,147**	25,064
Investments in subsidiaries	*12*	**13,140**	117
		134,530	107,678
Current assets			
Inventories	*13*	**50,949**	47,143
Trade and other receivables	*14*	**158,362**	136,234
Cash and cash equivalents	*15*	**39,009**	39,326
		248,320	222,703
Total assets		**382,850**	330,381
Current liabilities			
Other interest – bearing loans and borrowings	*16*	**(10,709)**	(10,378)
Trade and other payables	*17*	**(235,467)**	(203,330)
Tax payable		**(15,625)**	(11,604)
Provisions	*20*	**(504)**	(575)
Other financial liabilities	*18*	**(12)**	(62)
		(262,317)	(225,949)
Non-current liabilities			
Other interest – bearing loans and borrowings	*16*	**(3,161)**	(2,482)
Provisions	*20*	**(9,587)**	(9,247)
Deferred tax liabilities	*21*	**(3,205)**	(1,738)
		(15,953)	(13,467)
Total liabilities		**(278,270)**	(239,416)
Net assets		**104,580**	90,965
Equity			
Share capital	*22*	**30,000**	30,000
Share premium	*23*	**11,843**	11,843
Retained earnings	*23*	**62,737**	49,122
	24	**104,580**	90,965

These financial statements were approved by the board of directors on 14/2/07 and were signed on its behalf by:

FJ Barnes
Director

Statement of recognised income and expense
for year ended 30 June 2006

	Note	**2006 £000**	2005 £000
Profit for the year		**33,602**	32,302
Total recognised income and expense	*23,24*	**33,602**	32,302

Cash flow statement
for year ended 30 June 2006

	Note	2006 £000	2005 £000
Cash flows from operating activities			
Profit for the year before taxation		**49,354**	46,549
Adjustments for:			
Depreciation, amortisation and impairment	*3*	**15,410**	13,156
Financial income	*4*	**(1,017)**	(1,117)
Financial expense	*5*	**1,297**	1,861
Loss/(profit) on sale of property, plant and equipment	*3*	**57**	(125)
Equity settled share-based payment expenses		**13**	12
Operating profit before changes in working capital and provisions		**65,114**	60,336
(Increase)/decrease in trade and other receivables		**(22,128)**	(16,843)
(Increase)/decrease in inventories		**(3,806)**	(4,924)
(Decrease)/increase in trade and other payables		**31,781**	6,582
(Decrease)/increase in provisions		**48**	524
Cash generated from the operations		**71,009**	45,675
Interest paid		**(720)**	(1,263)
Tax paid		**(10,264)**	(12,470)
Net cash from operating activities		**60,025**	31,942
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		**2,470**	1,712
Interest received		**967**	1,098
Acquisition of a business	*12*	**(13,023)**	(5)
Acquisition of property, plant and equipment	*10*	**(29,450)**	(29,258)
Acquisition of intangible assets	*11*	**(2,316)**	(2,181)
Net cash from investing activities		**(41,352)**	(28,634)
Cash flows from financing activities			
Proceeds from new loan/finance leases entered into		**1,371**	-
Payment of finance lease liabilities		**(361)**	(143)
Dividends paid	*9*	**(20,000)**	(15,000)
Net cash from financing activities		**(18,990)**	(15,143)
Net increase/(decrease) in cash and cash equivalents		**(317)**	(11,835)
Cash and cash equivalents at 1 July		**39,326**	51,161
Cash and cash equivalents at 30 June	*15*	**39,009**	39,326

Notes
(forming part of the financial statements)

1 Accounting policies

BFS Group Limited (the "Company") is a company incorporated in the UK.

The Company is exempt by virtue of s228 of the Companies Act 1985 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

The company financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs").

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements and in preparing an opening IFRS balance sheet at 1 July 2004 for the purposes of the transition to Adopted IFRSs. Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 31.

Transition to Adopted IFRSs

The Company is preparing its financial statements in accordance with Adopted IFRS for the first time and consequently has applied IFRS 1. An explanation of how the transition to Adopted IFRSs has affected the reported financial position, financial performance and cash flows of the Company is provided in note 32.

In addition to exempting companies from the requirement to restate comparatives for IAS 32 and IAS 39, IFRS 1 grants certain exemptions from the full requirements of IFRSs in the transition period. The following exemptions have been taken in these financial statements:

- Business combinations – Business combinations that took place prior to 1 January 2004 have not been restated.
- Cumulative translation differences – Cumulative translation differences for all foreign operations have been set to zero at 1 July 2004

Measurement convention

The financial statements are prepared on the historical cost basis. Non-current assets and disposal groups held for sale are stated at the lower of previous carrying amount and fair value less costs to sell.

Foreign currency

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated at foreign exchange rates ruling at the dates the fair value was determined.

Notes *(continued)*

1 Accounting policies *(continued)*

Classification of financial instruments issued by the Company

Following the adoption of IAS 32, financial instruments issued by the Company are treated as equity (i.e. forming part of shareholders' funds) only to the extent that they meet the following two conditions:

(a) they include no contractual obligations upon the company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company; and

(b) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Investments in debt and equity securities

Investments in subsidiaries are carried at cost less impairment.

Derivative financial instruments and hedging

Derivative financial instruments

Derivative financial instruments are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged (see below).

The fair value of forward exchange contracts is their quoted market price at the balance sheet date, being the present value of the quoted forward price.

Effect of first time adoption of IAS 32 and IAS 39 on 1 July 2006

In the comparative period all financial assets and financial liabilities were carried at cost amortised as appropriate less, in the case of financial assets, provision for any permanent diminution in value.

No adjustments were required as a result of implementing the revised policy.

Intra-group financial instruments

Where intra-group financial instruments constitute loans that are repayable on demand they are shown as falling due within one year.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Leases in which the Company assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Where land and buildings are held under finance leases the accounting treatment of the land is considered separately from that of the buildings. Leased assets acquired by way of finance lease are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses. Lease payments are accounted for as described below.

Notes *(continued)*

1 Accounting policies *(continued)*

***Property, plant and equipment** (continued)*

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. The estimated useful lives are as follows:

- land - not depreciated
- freehold building - fifty years
- Long leasehold properties - the shorter of the lease term or fifty years
- Short Leasehold properties - the period of the lease
- Plant, machinery and vehicles - three to ten years

Intangible assets and goodwill

Subject to transitional relief in IFRS1, all unincorporated business combinations are accounted for by applying the purchase method. Goodwill represents amounts arising on acquisition of businesses. In respect of business acquisitions that have occurred since 30 June 2005, goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired. Identifiable intangibles are those which can be sold separately or which arise from legal rights regardless of whether those rights are separable.

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

In respect of acquisitions prior to 30 June 2005, goodwill is included on the basis of its deemed cost, which represents the amount recorded under UK GAAP which was broadly comparable save that only separable intangibles were recognised and goodwill was amortised. On transition, amortisation of goodwill has ceased as required by IFRS 1.

Expenditure on internally generated goodwill and brands is recognised in the income statement as an expense as incurred.

Other intangible assets that are acquired by the Company are stated at cost less accumulated amortisation and impairment losses.

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets with an indefinite useful life and goodwill are systematically tested for impairment at each balance sheet date. Other intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

- Software assets three to seven years

Trade and other receivables

Trade and other receivables are stated at their nominal amount (discounted if material) less impairment losses.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the statement of cash flows.

Notes *(continued)*

1 Accounting policies *(continued)*

Impairment

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

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

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

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units and then to reduce the carrying amount of the other assets in the unit on a pro rata basis. A cash generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Goodwill, assets that have an indefinite useful life and intangible assets that are not yet available for use were tested for impairment as at 30 June 2005, the date of transition to Adopted IFRS's, even though no indication of impairment existed.

Interest-bearing borrowings

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

Employee benefits

Defined contribution plans

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

Share-based payment transactions

The share option programme allows certain Company employees to acquire shares of the ultimate parent company; these awards are granted by the ultimate parent. The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using an option valuation model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is due only to share prices not achieving the threshold for vesting.

Provisions

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

Notes *(continued)*

1 Accounting policies *(continued)*

Revenue

Revenue, which excludes value added tax, represents the amounts invoiced to customers for goods sold and services supplied during the year in respect of the sale and distribution of food and non-food products to the catering trade, less credits for returns.

Expenses

Operating lease payments

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense.

Finance lease payments

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Net financing costs

Net financing costs comprise interest payable, finance charges on shares classified as liabilities and finance leases, interest receivable on funds invested, dividend income and foreign exchange gains and losses that are recognised in the income statement.

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method. Dividend income is recognised in the income statement on the date the entity's right to receive payments is established.

Taxation

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

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

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

Notes *(continued)*

1 Accounting policies *(continued)*

Accounting standards in issue not yet adopted

IFRS 7 – Financial instruments: disclosure

This standard is applicable for years commencing on or after 1 January 2007 but was available for early adoption. The application of IFRS 7 in the current year would not have affected the balance sheets or income statement as the standard is only concerned with disclosure. The Group plans to adopt it for the year ending 30 June 2007.

IAS 39 Financial Instruments: Recognition and Measurement/IFRS 4 Insurance Contracts

The Company has not adopted amendments to IAS 39 and IFRS 4 in relation to financial guarantee contracts which will apply for periods commencing on or after 1 January 2006.

Where the Company enters into financial cross guarantee contracts to guarantee the indebtedness of other companies within its Group, the company considers there to be insurance arrangements and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time that it becomes probable that the Company will be required to make a payment under the guarantee.

The Company does not expect the amendments to have any impact on the financial statements for the period commencing 1 July 2006.

Amendment to IAS 1 – Presentation of Financial Statements

The above amendment requires a Company to disclose information that enables users of its financial statements to evaluate its objectives, policies and processes for managing capital.

The application of this amendment is for periods commencing on or after 1 January 2007, and will have a disclosure impact only.

There is not expected to be any impact from any other, standards which are available for early adoption but have not yet been adopted.

2 Revenue

All revenue derives from one class of business and is based in the United Kingdom, with the exception of the MoD business which is also conducted in Europe (including UK) and other overseas countries, and also some turnover to Eire. The overseas turnover for the period for this business amounted to £58,412,000 *(2005:* £36,375,000*)*.

3 Expenses and auditors' remuneration

	2006	2005
	£000	£000
Included in profit/loss are the following:		
Depreciation:		
Owned assets	**11,453**	11,549
Leased assets	**1,724**	848
Amortisation of software	**1,264**	759
Impairment of goodwill	**969**	-
Operating lease and hire charges:		
Land and buildings	**7,327**	6,250
Other	**8,453**	7,077
Loss/(profit) on disposal of property plant & equipment	**57**	(125)
Foreign exchange (gains)	**(26)**	-
Auditors remuneration:		
Audit	**119**	115
Other non-audit services	**263**	145

Notes *(continued)*

4 Financial income

	2006 £000	2005 £000
Interest income	**582**	782
Group interest	**309**	314
Gain on remeasurement of forward exchange contracts to fair value	**50**	19
Other interest	**76**	2
	1,017	1,117

5 Financial expenses

	2006 £000	2005 £000
Bank Interest	**18**	10
Group interest	**614**	995
Unwinding of discount on redundant property provision	**-**	144
Unwinding of discount on dilapidation provisions	**221**	91
Finance leases	**388**	363
Other interest	**56**	258
	1,297	1,861

6 Directors' remuneration

	2006 £000	2005 £000
Remuneration	**2,234**	2,232
Share based payment	**13**	12
Company contributions to money purchase pension scheme	**64**	55
	2,311	2,299
Remuneration includes:		
Highest paid director	**495**	433

	Number of directors 2006	2005
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	**8**	7
The number of directors who exercised share options was	**3**	7

Company pension contributions of £17,000 *(2005: £18,000)* were made to a money purchase scheme on behalf of the highest paid director. At the end of the year, 8 directors *(2005: 7)* were accruing retirement benefits under a money purchase scheme).

Notes *(continued)*

7 Employees

The average number of persons employed by the company during the period, analysed by category, was as follows:

	Number of employees	
	2006	2005
Management	**1,370**	1,342
Distribution	**3,731**	3,395
Sales	**815**	753
	5,916	5,490

The aggregate employment costs during the year were as follows:

	2006	2005
	£000	£000
Wages and salaries	**141,605**	123,242
Social security costs	**13,667**	12,003
Other pension costs (Note 19)	**2,355**	2,066
	157,627	137,311

8 Taxation

a) Recognised in the income statement

	2006		2005	
	£000	**£000**	£000	£000
Current year	**14,700**		14,174	
Adjustments in respect of prior years	**(415)**		(77)	
Total current tax		**14,285**		14,097
Deferred tax expense				
Origination and reversal of temporary differences	**1,197**		511	
Adjustments in respect of prior years	**270**		(361)	
		1,467		150
Total tax in income statement		**15,752**		14,247

Notes *(continued)*

8 Taxation *(continued)*

b) Reconciliation of effective tax rate

	2006 £000	2005 £000
Profit before taxation	**49,354**	46,549
Tax using the UK corporation tax rate of 30% (2005: 30%)	**14,806**	13,965
Non deductible expenses	**1,091**	720
Over provided in prior years	**(145)**	(438)
Total tax in income statement	**15,752**	14,247

9 Dividends

	2006 £000	2005 £000
Interim – paid at 6.7p per share *(2005: 5.0p per share)*	**20,000**	15,000

There are no final dividends proposed.

Notes *(continued)*

10 Property plant and equipment

	Land and Freehold Properties £000	Long leasehold Properties £000	Short leasehold properties £000	Plant machinery and vehicles £000	Assets in the Course of Construction £000	Total £000
Cost						
Balance at 1 July 2004	16,733	10,898	5,745	114,051	1,937	149,364
Additions	2,315	3,277	76	7,794	15,706	29,168
Reclassifications	497	4,782	-	5,652	(10,931)	-
Inter group transfers	-	17	-	129	-	146
Disposals	-	(1,519)	(13)	(3,397)	-	(4,929)
Balance at 30 June 2005	19,545	17,455	5,808	124,229	6,712	173,749
Balance at 1 July 2005	19,545	17,455	5,808	124,229	6,712	173,749
Additions	153	2,501	4,856	6,758	15,182	29,450
Reclassifications	522	5,647	-	9,873	(16,042)	-
Disposals	(1,848)	(685)	(296)	(8,743)	-	(11,572)
Balance at 30 June 2006	18,372	24,918	10,368	132,117	5,852	191,627
Depreciation						
Balance at 1 July 2004	3,273	3,560	4,356	70,952	-	82,141
Charge for year	306	715	133	11,243	-	12,397
Reclassifications	-	-	-	-	-	-
Inter group transfers	-	5	-	51	-	56
Disposals	-	(1)	(1)	(3,340)	-	(3,342)
Balance at 30 June 2005	3,579	4,279	4,488	78,906	-	91,252
Balance at 1 July 2005	3,579	4,279	4,488	78,906	-	91,252
Charge for year	323	1,353	371	11,781	-	13,828
Reversal of previous impairment	(651)	-	-	-	-	(651)
Reclassifications	109	(116)	-	7	-	-
Disposals	(204)	(227)	(225)	(8,389)	-	(9,045)
Balance at 30 June 2006	3,156	5,289	4,634	82,305	-	95,384
Net book value						
At 1 July 2004	13,460	7,338	1,389	43,099	1,937	67,223
At 30 June 2005 and 1 July 2005	15,966	13,176	1,320	45,323	6,712	82,497
At 30 June 2006	**15,216**	**19,629**	**5,734**	**49,812**	**5,852**	**96,243**

The amount on which depreciation of freehold and long leasehold properties is based is £33,481,000 *(2005: £27,044,000)*.

Notes *(continued)*

10 Property plant and equipment *(continued)*

Leased plant and machinery:

The Company leases a number of depots under finance lease agreements. At 30 June 2006, the net carrying amount of leased land and buildings was £3,202,000 *(2005: £1,417,000).*

11 Intangible fixed assets

	IT software £000	Goodwill £000	Total £000
Cost			
Balance at 1 July 2004	4,289	23,030	27,319
Additions	1,212	969	2,181
Disposals	-	-	-
Balance at 30 June 2005	5,501	23,999	29,500
Balance at 1 July 2005	5,501	23,999	29,500
Additions	2,316	-	2,316
Disposals	(1)	-	(1)
Balance at 30 June 2006	7,816	23,999	31,815
Amortisation			
Balance at 1 July 2004	2,703	974	3,677
Charge for period	759	-	759
Disposals	-	-	-
Balance at 30 June 2005	3,462	974	4,436
Balance at 1 July 2005	3,462	974	4,436
Charge for period	1,264	-	1,264
Impairment in value	-	969	969
Disposals	(1)	-	(1)
Balance at 30 June 2006	4,725	1,943	6,668
Net book value			
At 1 July 2004	1,586	22,056	23,642
At 30 June 2005 and 1 July 2005	2,039	23,025	25,064
At 30 June 2006	**3,091**	**22,056**	**25,147**

Impairment Review:

The carrying value of the purchased goodwill on Wilson Watson Ltd, which was created on the transfer of their trade, and trading assets and liabilities on 1 July 2004 at a cost of £969,000 has been assessed as at 30 June 2006. Whilst the performance of this income generating unit has improved, it is continuing to make losses and thus it is considered appropriate to write this down to a nil net book value.

Notes *(continued)*

11 Intangible fixed assets *(continued)*

Amortisation and impairment charge:

The amortisation and impairment charge is recognised in the following line items in the income statement:

	2006	2005
	£000	£000
Administration expenses	**2,233**	759
	2,233	759

12 Investments in subsidiaries

	Shares in subsidiary undertakings £000
At start of year	117
Additions	13,023
At end of year	**13,140**

During the year the investment in 3663 Developments Limited was transferred from Bidvest (UK) Limited.

Shares in group undertakings comprise entirely of shares held in subsidiary undertakings.

The company directly or indirectly holds share capital and voting rights in the following companies, which are registered and which operate in England and Wales.

Subsidiary undertakings	**Class of shares held**	**Principal activity**
The Barton Meat Company Ltd (51% holding)	**£1 Ordinary**	Sale and distribution nationally of food products to the catering trade
3663 Developments Ltd (100% holding)	**£1 Ordinary**	Property development
3663 (Edinburgh) Ltd (100% holding)	**£1 Ordinary**	Property development

Notes *(continued)*

13 Inventories

	2006 £000	2005 £000
Raw materials and consumables	**602**	505
Goods for resale	**50,347**	46,638
	50,949	47,143

14 Trade and other receivables

	2006 £000	2005 £000
Trade receivables	**120,091**	105,896
Other receivables, prepayments and accrued income	**15,408**	11,250
Trade receivables due from subsidiary undertakings	**8,949**	4,700
Trade receivables due from immediate parent company	**12,831**	13,282
Trade receivables due from fellow subsidiary undertakings	**1,083**	1,106
	158,362	136,234

15 Cash and cash equivalents/bank overdrafts

	Year ended 30 June 2006 £000	Year ended 30 June 2005 £000
Cash and cash equivalent per balance sheet	**39,009**	39,326
Bank overdraft	-	-
Cash and cash equivalents per cash flow statement	**39,009**	39,326

16 Other interest-bearing loans and borrowings

This note provides information about the contractual terms of the Company's interest-bearing loans and borrowings.

	2006 £000	2005 £000
Non-current liabilities		
Finance lease liabilities	**3,161**	2,482
	3,161	2,482
Current liabilities		
Amounts owed to immediate parent company	**10,228**	10,228
Current portion of finance lease liabilities	**481**	150
	10,709	10,378

Notes *(continued)*

16 Other interest bearing loans and borrowings *(continued)*

Finance lease liabilities

Finance lease liabilities are payable as follows:

	Minimum lease payments 2006 £000	**Interest 2006 £000**	**Principal 2006 £000**	Minimum lease payments 2005 £000	Interest 2005 £000	Principal 2005 £000
Less than one year	**743**	**264**	**479**	360	210	150
Between one and five years	**2,281**	**862**	**1,419**	1,369	757	612
More than five years	**2,816**	**1,072**	**1,744**	3,108	1,238	1,870
	5,840	**2,198**	**3,642**	4,837	2,205	2,632

The amount owed to the immediate parent company incurs interest at 1.5% above HSBC Bank plc base rate.

17 Trade and other payables: current

	2006 £000	2005 £000
Trade payables	**164,937**	146,662
Other taxation and social security	**4,624**	4,063
Accruals and deferred income	**37,469**	37,244
Amounts owed to fellow subsidiary companies	**15,300**	15,300
Amounts owed to subsidiary companies	**13,013**	-
Amounts owed to immediate parent company	**124**	61
	235,467	203,330

18 Other financial liabilities

	2006 £000	2005 £000
Current		
Forward exchange contracts classified as fair value through profit or loss	**12**	62
	12	62

Notes *(continued)*

19 Employee benefits

Pension scheme

Bidvest (UK) Limited, the immediate parent company, operates a defined contribution scheme, for which BFS Group Limited is a participating employer. The pension cost for the year represents contributions payable by the company to the scheme and amounted to £2,355,000 (*2005* £2,066,000).

Contributions amounting to £14,000 (*2005: £6,000*) were payable to the scheme at the year end.

Share-based payments

Share options have been granted to a director of the company by the ultimate parent company.

The terms and conditions of the grants are as follows, whereby all options are settled by physical delivery of shares:

Grant date / employees entitled	**Number of instruments**	**Vesting conditions**	**Contractual life of options**
Equity settled award granted by parent in May 2004	30,000	Become exercisable from May 2007	May 2009

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

	Weighted average exercise price 2006	**Number of options 2006**	Weighted average exercise price 2005	Number of options 2005
Outstanding at the beginning of the period	**ZAR51.51**	**30,000**	ZAR51.51	30,000
Forfeited during the period		-		-
Exercised during the period		-		-
Granted during the period		-		-
Lapsed during the period		-		-
Outstanding at the end of the period	**ZAR51.51**	**30,000**	ZAR51.51	30,000
Exercisable at the end of the period		-		-

Notes *(continued)*

20 Provisions for liabilities and charges

	Self insurance	Redundant properties	Dilapidations	Total
	£000	£000	£000	£000
At beginning of year	4,715	124	4,983	9,822
Provided during the year	-	-	732	732
Interest provided	-	-	221	221
Utilised during the year	(660)	(24)	-	(684)
At end of year	**4,055**	**100**	**5,936**	**10,091**

Current	-	-	504	504
Non-current	4,055	100	5,432	9,587
At end of year	4,055	100	5,936	10,091

The provision for self insurance relates to the programmes the company operates for certain classes of insurance, whereby the company bears the cost of all claims up to an agreed aggregate limit. There is a degree of uncertainty as to when the claims will be settled and the provision is therefore calculated using management's expertise and experience together with its best estimates of liabilities arising, using claims history and details of pending claims supplied by the insurance providers.

The provision for redundant properties relates to rental shortfalls and dilapidation provisions on certain leased properties that are no longer used by the company in its main trading activity. It is envisaged that the provision will be utilised in full by 2016. The major area of uncertainty in the calculation of the provision relates to the dilapidation liabilities at the conclusion of the leases.

The provision for dilapidations relates to amounts payable at lease expiry on certain leased properties which are occupied by the company. Lease expiry dates range from 2006 to 2046. The provisions have been based on estimates provided by the company's property management agents.

Notes *(continued)*

21 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2006	2005	**2006**	2005	**2006**	2005
	£000	£000	**£000**	£000	**£000**	£000
Property, plant and equipment	**-**	-	**4,641**	3,280	**4,641**	3,280
Provisions	**(1,436)**	(1,542)	**-**	-	**(1,436)**	(1,542)
Net tax (assets) / liabilities	**(1,436)**	(1,542)	**4,641**	3,280	**3,205**	1,738

Movement in deferred tax during the year

	1 July 2005 £000	Recognised in income £000	Recognised in equity £000	30 June 2006 £000
Property, plant and equipment	**3,280**	**1,361**	**-**	**4,641**
Provisions	**(1,542)**	**106**	**-**	**(1,436)**
	1,738	**1,467**	**-**	**3,205**

Movement in deferred tax during the prior year

	1 July 2004 (restated) £000	Recognised in income £000	Recognised in equity £000	30 June 2005 £000
Property, plant and equipment	2,738	542	-	3,280
Provisions	(1,150)	(392)	-	(1,542)
	1,588	150	-	1,738

22 Share capital

	2006	2005
	£000	£000
Authorised		
1,000,000,000 ordinary shares of 10p each	**100,000**	100,000
Allotted, called up and fully paid		
300,000,000 ordinary shares of 10p each	**30,000**	30,000

Notes *(continued)*

23 Reserves

	Share capital	Share premium	Profit and loss Account	Total
	£000	**£000**	**£000**	**£000**
Balance at 1 July 2004	30,000	11,843	31,808	73,651
Profit after taxation	-	-	32,302	32,302
Dividends	-	-	(15,000)	(15,000)
Equity settled share based payments	-	-	12	12
Balance at 30 June 2005	**30,000**	**11,843**	**49,122**	**90,965**
Balance at 1 July 2005	30,000	11,843	49,122	90,965
Profit after taxation	-	-	33,602	33,602
Dividends	-	-	(20,000)	(20,000)
Equity settled share based payments	-		13	13
Balance at 30 June 2006	**30,000**	**11,843**	**62,737**	**104,580**

24 Reconciliation of movement in shareholders' funds

	2006	2005
	£000	£000
Opening shareholders' funds	**90,965**	73,651
Retained profit for the period	**33,602**	32,302
Dividends	**(20,000)**	(15,000)
Equity settled share based payments	**13**	12
Closing shareholders' funds	**104,580**	90,965

25 Capital commitments

Capital commitments authorised as at 30 June 2006, but not provided for in these financial statements amounted to £20,129,000 *(2005:£15,862,000)*, in respect of which contracts for £11,144,000 *(2005: £7,624,000)* have been placed.

Notes *(continued)*

26 Financial instruments

Effective interest rates and repricing analysis

In respect of income-earning financial assets and interest-bearing financial liabilities, the following table indicates their effective interest rates at the balance sheet date and the periods in which they mature or, if earlier, are repriced.

				2006		
	Effective interest rate %	**Total £000**	**0 – <1years £000**	**1 to <2years £000**	**2 to <5years £000**	**5years and over £000**
Finance lease liabilities*	**7.24%**	**3,642**	**-**	**6**	**1,355**	**2,281**

* These assets / liabilities bear interest at a fixed rate

27 Operating lease commitments

The Company has annual rental commitments in respect of operating leases expiring as follows:

	2006		2005	
	Land and buildings £000	**Other £000**	Land and buildings £000	Other £000
Expiring - within one year	**741**	**548**	839	552
Expiring - over one year and under five years	**2,216**	**5,792**	2,758	4,464
Expiring - over five years	**5,494**	**14**	4,432	18
	8,451	**6,354**	8,029	5,034

The Company leases property, plant and machinery, office equipment and certain commercial vehicles under operating leases. The leases typically run for a period of 3 to 5 years, with an option to renew the lease after that date. None of the leases includes contingent rentals.

During the year ended 30 June 2006, £15,780,000 was recognised as an expense in the income statement in respect of operating leases *(2005: £13,327,000).*

Notes *(continued)*

28 Related parties

Name of entity	**Related party relationship**
Bidvest (UK) Limited	Immediate parent company
3663 Developments Limited	100% owned subsidiary company
The Barton Meat Company Limited	51% owned subsidiary company
Pullman Foods Limited	Fellow wholly owned subsidiary company of Bidvest (UK) Limited
HM Group Limited	Fellow wholly owned subsidiary company of Bidvest (UK) Limited
Swithenbank Foods Limited	Fellow wholly owned subsidiary company of Bidvest (UK) Limited
Wilson Watson Limited	Fellow wholly owned subsidiary company of Bidvest (UK) Limited
Bidcorp plc	Fellow wholly owned subsidiary company of The Bidvest Group Limited

Summary of related party transactions:

	2006	2005
	£000	£000
Management charge paid to Bidvest (UK) Limited	**475**	60
Interest paid to Bidvest (UK) Limited	**614**	995
Purchase of dormant subsidiary from Bidvest (UK) Limited	**13,023**	-
Sales to The Barton Meat Company Limited	**12**	10
Purchases from The Barton Meat Company Limited	**1,120**	-
Interest received on loan to The Barton Meat Company Limited	**309**	237
Interest received on short term loans to Bidcorp plc	**-**	77
Rent payable to Pullman Foods Limited	**22**	22
Management charge receivable from 3663 Developments Limited	**62**	-

Summary of related party balances:

	2006	2005
	£000	£000
Interest free and short term loans due from Bidvest (UK) Limited	**12,831**	13,282
Interest bearing loans payable to Bidvest (UK) Limited	**10,228**	10,228
Short term loans due to Bidvest (UK) Limited	**124**	61
Interest free loan due to 3663 Developments Limited	**13,013**	-
Interest free loan due to HM Group Limited	**15,000**	15,000
Interest free loan due to Swithenbank Foods Limited	**100**	100
Interest free loan due to Wilson Watson Limited	**200**	200
Interest bearing loan due from The Barton Meat Company Limited	**5,250**	4,500
Interest free loan due from The Barton Meat Company Limited	**127**	200
Interest free loan due from 3663 Developments Limited	**3,572**	-
Interest free loan due from Pullman Foods Limited	**1,083**	1,106

Transactions with key management personnel

Directors of the Company and their immediate relatives control nil per cent of the voting shares of the company.

There have been no transactions with key management personnel in the year.

Notes *(continued)*

29 Ultimate holding company

The ultimate holding company of BFS Group Limited is The Bidvest Group Limited, a Company incorporated in South Africa. The largest group in which the results of the company are consolidated is that headed by that company. The smallest group in which they are consolidated is that headed by Bid Foodservice Products Division (IOM) Limited, incorporated in The Isle of Man. Copies of the accounts of The Bidvest Group Limited are available upon application to the Company Secretary at the following address: PO Box 87274, Houghton 2041, Johannesburg, South Africa. Copies of the accounts of Bid Foodservice Products Division (IOM) Limited are available upon application to the Company Secretary at the following address: Murdoch Chambers, South Quay, Douglas, Isle of Man, IM1 5AS.

30 Subsequent events

No subsequent events have been identified that require disclosure in the financial statements

31 Accounting estimates and judgments

The preparation of the financial statements involves, in certain areas, the use of accounting estimates and management judgment. The key areas involving estimates and judgments are as follows:

(a) Self insurance provisions

Details of the estimates are detailed in note 20.

(b) Provisions for dilapidations

Details of the estimates are set out in note 20.

32 Explanation of transition to Adopted IFRSs

As stated in note 1, these are the Company's first financial statements prepared in accordance with Adopted IFRSs.

The accounting policies set out in note 1 have been applied in preparing the financial statements for the year ended 30 June 2006, the comparative information presented in these financial statements for the year ended 30 June 2005 and in the preparation of an opening IFRS balance sheet at 1 July 2004 (the Company's date of transition).

In preparing its opening IFRS balance sheet, the Company has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (UK GAAP). An explanation of how the transition from UK GAAP to Adopted IFRSs has affected the Company's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

Notes *(continued)*

32 Explanation of transition to Adopted IFRSs *(continued)*

Reconciliation of equity

		1 July 2004			**30 June 2005**		
	Note	UK GAAP £000	Effect of transition to Adopted IFRSs £000	Adopted IFRSs £000	**UK GAAP £000**	**Effect of transition to Adopted IFRSs £000**	**Adopted IFRSs £000**
Non-current assets							
Property, plant and equipment	*a,b,c*	66,015	1,208	67,223	**80,577**	**1,920**	**82,497**
Intangible assets	*a,d*	22,056	1,586	23,642	**20,625**	**4,439**	**25,064**
Investments in associates		112	-	112	**117**	-	**117**
Current assets							
Inventories		42,219	-	42,219	**47,143**	-	**47,143**
Trade and other receivables		119,391	-	119,391	**136,234**	-	**136,234**
Cash and cash equivalents		51,161	-	51,161	**39,326**	-	**39,326**
Total assets		300,954	2,794	303,748	**324,022**	**6,359**	**330,381**
Current liabilities							
Other interest bearing loans and borrowings	*b*	(30,228)	(143)	(30,371)	**(10,228)**	**(150)**	**(10,378)**
Trade and other payables	*c,e*	(176,867)	482	(176,385)	**(203,970)**	**640**	**(203,330)**
Tax payable	*g*	(9,281)	(696)	(9,977)	**(10,755)**	**(849)**	**(11,604)**
Provisions`	*c*	-	(381)	(381)	-	**(575)**	**(575)**
Other financial liabilities	*f*	-	(81)	(81)	-	**(62)**	**(62)**
Non-current liabilities							
Other interest bearing loans and borrowings	*b*	-	(2,632)	(2,632)	-	**(2,482)**	**(2,482)**
Provisions	*c*	(5,737)	(2,945)	(8,682)	**(4,839)**	**(4,408)**	**(9,247)**
Deferred tax liabilities	*g*	(2,139)	551	(1,588)	**(2,409)**	**671**	**(1,738)**
Total liabilities		(224,252)	(5,845)	(230,097)	**(232,201)**	**(7,215)**	**(239,416)**
Net assets		76,702	(3,051)	73,651	**91,821**	**(856)**	**90,965**
Equity							
Share capital		30,000	-	30,000	**30,000**	-	**30,000**
Share premium		11,843	-	11,843	**11,843**	-	**11,843**
Retained earnings		34,859	(3,051)	31,808	**49,978**	**(856)**	**49,122**
Total equity		76,702	(3,051)	73,651	**91,821**	**(856)**	**90,965**

Notes *(continued)*

32 Explanation of transition to Adopted IFRSs *(continued)*

Notes to the reconciliation of equity:

a) Reclassification of computer software from property plant & equipment (2004: £1,586,000; 2005: £2,039,000)

b) Reclassification of leases from operating to finance leases. The reclassification of operating leases to finance leases resulted in the recognition of long leasehold properties with net book values of £2,025,000 at 30/06/04 and £1,845,000 at 30/06/05. At the same time, finance lease liabilities of £2,775,000 at 30/06/04 and £2,632,000 at 30/06/05 were recognised.

c) Dilapidation provisions. The total net book values recognised were £768,000 as at 30/06/04 and £2,114,000 as at 30/06/05. The total dilapidation provisions created were £3,325,000 (including reclassification of existing amounts previously shown within trade creditors of £1,375,000) as at 30/06/04 and £4,983,000 (including reclassification of existing amounts previously shown within trade creditors of £1,511,000) as at 30/06/05.

d) Adjustment to reverse amortisation of goodwill (£2,400,000)

e) Holiday pay provision (2004: £893,000, 2005: £871,000)

f) Recognition of forward exchange contracts (2004: £81,000; 2005: £62,000).

g) Corporation tax and deferred tax balances have been restated in respect of the IFRS adjustments detailed above, where appropriate.

Notes *(continued)*

32 Explanation of transition to Adopted IFRSs *(continued)*

Reconciliation of profit for year ending 30 June 2005

	Note	UK GAAP £000	2005 Effect of transition to Adopted IFRSs £000	Adopted IFRSs £000
Revenue		1,268,373	-	1,268,373
Cost of sales		(971,665)	-	(971,665)
Gross profit		296,708	-	296,708
Distribution expenses		(179,372)	-	(179,372)
Administrative expenses	*a*	(72,694)	2,651	(70,043)
Operating profit before net financing costs		44,642	2,651	47,293
Financial income	*b*	1,098	19	1,117
Financial expenses	*c*	(1,407)	(454)	(1,861)
Net financing costs		(309)	(435)	(744)
Profit before tax		44,333	2,216	46,549
Taxation	*d*	(14,214)	(33)	(14,247)
Profit after tax		30,119	2,183	32,302

Notes to the reconciliation of profit/(loss):

a) Total charge/(credit) to the profit and loss account for the year ended 30/06/05 as a result of the various IFRS adjustments explained on the balance sheet restatement above is detailed below:

	Dilapidations £000	Finance Leases £000	Remuneration £000	Goodwill Amortisation	Total £000
Included in Administrative Expenses					
Depreciation charge	156	180	-	-	336
Property expenses including rent payable	(72)	(506)	-	-	(578)
Payroll costs	-	-	(21)	-	(21)
Charge re share based payments	-	-	12	-	12
Reversal of amortisation charge	-	-	-	(2,400)	(2,400)
Total for year ending 30 June 2005	84	(326)	(9)	(2,400)	(2,651)

Notes *(continued)*

32 Explanation of transition to Adopted IFRSs *(continued)*

b) Gain on re-measurement of forward exchange contracts to fair value.

c) Interest payable on dilapidation provision (£91,000) and finance leases (£363,000).

d) Corporation tax and deferred tax charges/(credits) to the profit and loss account have been restated in respect of the IFRS adjustments detailed above, where appropriate

Explanation of material adjustments to the cash flow statement for comparative year

There are no other material differences between the cash flow statement presented under Adopted IFRSs and the cash flow statement presented under UK GAAP.