BFS Group Limited

Directors' report and financial statements

Registered number 00239718

Year ended 30 June 2017

Contents

Directors and company information

Directors:

A Selley
A Kemp
A Brogan
N Wemyss
S Bender
G Cox
G Barnetson
D Cleasby

Secretary
T Hamandi

Registered Office

814 Leigh Road
Slough
Berkshire
SL1 4BD

Auditor

KPMG LLP
1 St Peter's Square
Manchester
M2 3AE

Bankers

HSBC Bank plc
8 Canada Square
London
E14 5XL

Strategic report

Overview

An exciting first full year following the change in ultimate parent Company on the 30th May 2016 when Bidvest split into two stand-alone businesses, both listed on the Johannesburg Stock Exchange. BFS Group Ltd is ultimately owned by Bid Corporation Ltd ("Bidcorp"), an internationally diverse Foodservice business with an entrepreneurially decentralised business model.

The principal activities of the Group are the sale and distribution of food and non-food products to the catering trade and the business operates under the two main trading names of Bidfood and Bidvest Logistics.

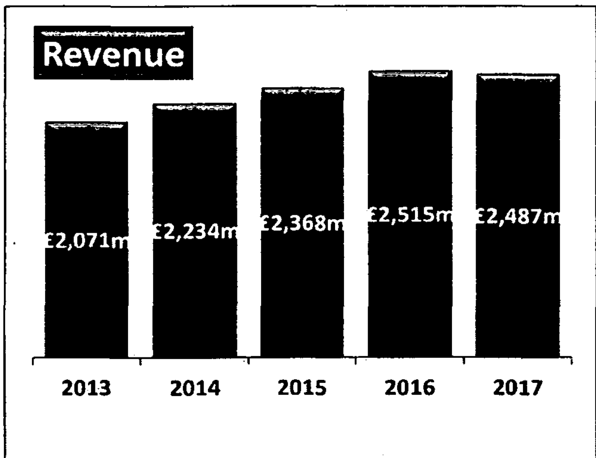
Strategy

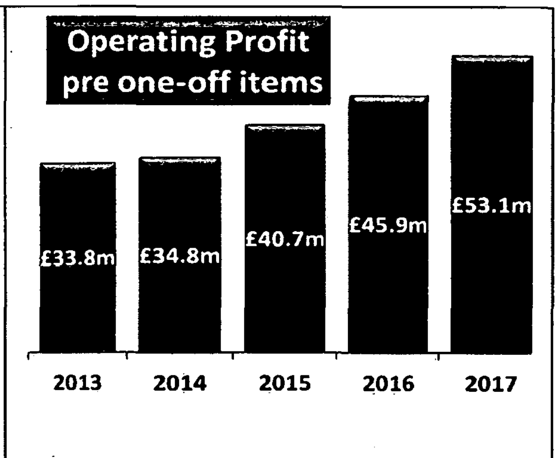
The Company's strategy is to deliver service excellence, make life easier and help customers to grow. This will be achieved by delivering real value, recruiting and retaining the best team and through innovation and being forward thinking.

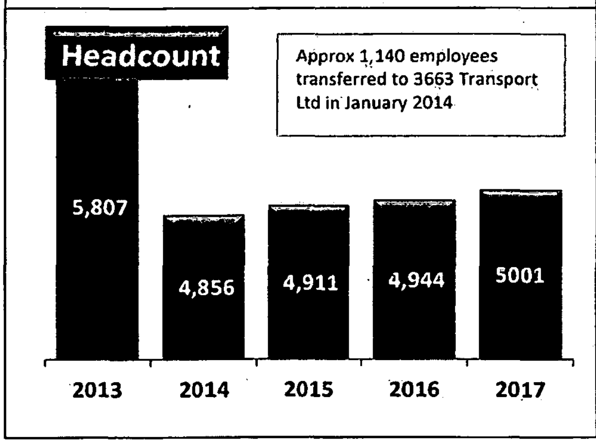
Key Performance Indicators

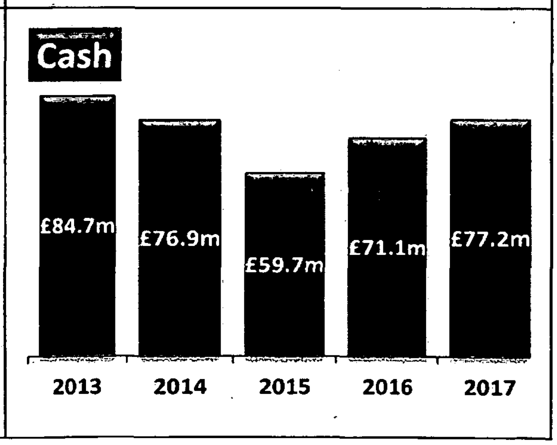
In addition to the graphs shown below, KPI's used to monitor the performance (against forecasts and prior year) of the business include the following:

Service levels to customers	Service levels from suppliers
Health & safety	Gross margin %
Operating cost %	Funds employed









Strategic report (continued)

Principle risks and uncertainties:

The company's operational risks include environmental, health and safety and IT / power failures. The company manages these risks through an established control framework and internal and external audits. Disaster recovery procedures exist to respond to adverse events, including 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. Significant focus is placed on the minimisation of bad debt risk and credit insurance is held for the majority of customers. The availability of drivers and fuel price volatility are also commercial risks. The scarcity of resource is an industry wide issue and attracting and retaining drivers is a key focus.

By order of the board

25/1/18

A Selley
Company Director

814 Leigh Road
Slough
Berkshire, SL1 4BD

Directors' report

The directors present their annual report and the audited financial statements for the year ended 30 June 2017.

Results and dividends

The company made a profit for the year of £41,277,000 *(2016: £29,645,000)*.

An interim dividend in respect of the year ended 30 June 2017 of £18,909,000 (6.30p per share) *(2016: £19,506,000 (6.50p per share))* was paid during the year. The directors do not recommend the payment of a final dividend *(2016:£Nil)*.

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, and up to the date of approval of these financial statements:

B Joffe	(resigned 12 April 2017)
D Cleasby	(appointed 12 April 2017)
S Bender	(appointed 12 April 2017)
A Selley	
N Wemyss	
A Kemp	
A Brogan	
D Hodgson	(resigned 31 August 2017)
G Cox	(appointed 01 September 2017)
G Barnetson	(appointed 01 September 2017)

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 52 days of average daily purchases for the year *(2016: 53 days)*.

Political and charitable contributions

The company made no political contributions during the year *(2016: £Nil)*. Donations to UK charities amounted to £31,000 *(2016: £32,000)*.

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.

Directors' report *(continued)*

Disclosure of information to auditor

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 auditor is 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 auditor is aware of that information.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board

25/1/18

A Selley
Company Director

814 Leigh Road
Slough
Berkshire, SL1 4BD

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

The directors are responsible for preparing the Strategic Report, 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 UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

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 company and of the profit or loss of the company 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 estimates that are reasonable and prudent;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

KPMG

KPMG LLP

1 St Peter's Square
Manchester
M2 3AE
United Kingdom

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

Opinion

We have audited the financial statements of BFS Group Limited ("the company") for the year ended 30 June 2017 which comprise the Profit and Loss Account and Other Comprehensive Income, Statement of Changes in Equity, Balance sheet and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Directors' report

The directors are responsible for the directors' report. Our opinion on the financial statements does not cover that report and we do not express an audit opinion thereon.

Our responsibility is to read the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the directors' report;
- in our opinion the information given in that report for the financial year is consistent with the financial statements; and
- in our opinion that report has been prepared in accordance with the Companies Act 2006.

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

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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; or
- The directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 6, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an 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.

Mick Davies

Mick Davies (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 St Peter's Square
Manchester
M2 3AE

31/1/2018

Profit and Loss Account and Other Comprehensive Income

for the year ended 30 June 2017

	Note	2017 £000	2016 £000
Revenue	2	**2,487,482**	2,514,805
Cost of sales		**(2,065,016)**	(2,101,989)
Gross profit		**422,466**	412,816
Distribution expenses		**(320,305)**	(320,084)
Administration expenses - normal		**(49,070)**	(46,837)
Operating profit before one-off items		**53,091**	45,895
Administration expenses – exceptional	3	**(1,500)**	(10,300)
Total administration expenses		**(50,448)**	(57,137)
Operating profit after one-off items	3	**51,591**	35,595
Income from shares in group undertakings	6	**1,200**	4,357
Financial income	7	**34**	30
Financial expenses	8	**(1,011)**	(1,129)
Profit before taxation		**51,814**	38,853
Tax on profit on ordinary activities	9	**(10,537)**	(9,208)
Profit after taxation		**41,277**	29,645
Other comprehensive income for the period, net of income tax		**-**	-
Total comprehensive income for the period		**41,277**	29,645

All revenues and operating profits are derived from continuing operations.

The notes on pages 12-28 form part of these financial statements.

Statement of Changes in Equity

for year ended 30 June 2017

	Share capital £000	Share premium £000	Retained profit £000	Total £000
Balance at 1 July 2015	30,000	11,843	111,856	153,699
Total comprehensive income for the period				
Profit after taxation	-	-	29,645	29,645
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	-	-	**29,645**	**29,645**
Transactions with owners, recorded directly in equity				
Dividends	-	-	(19,506)	(19,506)
Equity settled share based payments	-	-	(860)	(860)
Balance at 30 June 2016	**30,000**	**11,843**	**121,135**	**162,978**
Balance at 1 July 2016	30,000	11,843	121,135	162,978
Total comprehensive income for the period				
Profit after taxation	-	-	41,277	41,277
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	-	-	**41,277**	**41,277**
Transactions with owners, recorded directly in equity				
Dividends	-	-	(18,909)	(18,909)
Equity settled share based payments	-	-	(2,120)	(2,120)
Balance at 30 June 2017	**30,000**	**11,843**	**141,383**	**183,226**

The notes on pages 12-28 form part of these financial statements.

Balance Sheet
at 30 June 2017

	Note	2017 £000	2016 £000
Fixed assets			
Tangible assets	11	89,853	92,371
Intangible assets	12	32,174	31,968
Investments in subsidiaries	13	102,609	102,759
		224,636	227,098
Current assets			
Stocks	14	91,634	90,527
Trade and other debtors	15	251,668	241,534
Cash at bank and in hand		77,226	71,138
		420,528	403,199
Total assets		645,164	630,297
Current liabilities			
Other interest – bearing loans and borrowings	16	(14,923)	(19,422)
Trade and other creditors	17	(432,350)	(429,266)
Provisions	19	(1,477)	(3,524)
		(448,750)	(452,212)
Non-current liabilities			
Other interest – bearing loans and borrowings	16	(645)	(825)
Provisions	19	(8,822)	(9,938)
Deferred tax liabilities	20	(3,721)	(4,344)
		(13,188)	(15,107)
Total liabilities		(461,938)	(467,319)
Net assets		183,226	162,978
Capital and reserves			
Share capital	22	30,000	30,000
Share premium		11,843	11,843
Retained earnings		141,383	121,135
Shareholders' equity		183,226	162,978

The notes on pages 12-28 form part of these financial statements.

These financial statements were approved by the board of directors on 25/1/18 and were signed on its behalf by:

A Selley
Company Director

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 s400 of the Companies Act 2006 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.

Statement of compliance

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"). The amendments to FRS 101 (2013/14 cycle) issued in July 2016 and effective immediately have been applied.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

In these financial statements, the company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- A Cash Flow Statement and related notes;
- Comparative period reconciliations for share capital, tangible fixed assets and intangible assets;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;
- Disclosures in respect of the compensation of Key Management Personnel.

As the consolidated financial statements of Bid Corporation Limited include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- IFRS 2 *Share Based Payments* in respect of group settled share based payments;
- Certain disclosures required by IAS 36 *Impairment of assets* in respect of the impairment of goodwill and indefinite life intangible assets;
- The disclosures required by IFRS 7 *Financial Instrument Disclosures*

The Company's ultimate parent undertaking, Bid Corporation Limited, includes the Company in its consolidated financial statements. The consolidated financial statements of Bid Corporation Limited are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from the Group's website (www.bidcorpgroup.com).

Going concern

The financial statements have been prepared on a going concern basis. The company is in a net current-liabilities position due to intercompany loans payable to wholly owned subsidiaries which are directly controlled by the entity. Thus, the Board will ensure that these loans are repaid only if the Company has sufficient capital resources to continue in its principal trading activities. The Board of Directors have prepared forecasts for the forthcoming twelve month period which indicate that the Company has sufficient committed income and financial resources in order to enable it to meet its obligations as they fall due. As a consequence the Board of Directors believe that the Company is well placed to manage its business risks successfully in the current economic environment.

After making all enquiries, the Board of Directors has a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, it continues to adopt the going concern basis in preparing the Company's accounts

Notes *(continued)*

1 Accounting policies *(continued)*

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.

Classification of financial instruments issued by the Company

Following the adoption of IAS 32, financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

- 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
- 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.

Where a financial instrument that contains both equity and financial liability components exists these components are separated and accounted for individually under the above policy.

Investments in debt and equity securities

Investments in subsidiaries are carried at cost less impairment. Acquisition costs are expensed to the income statement as they are incurred.

Derivative financial instruments

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.

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.

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.

Notes *(continued)*

1 Accounting policies *(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

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

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
Licences	ten years

Investments and income from group undertakings

Shares in Group undertakings are stated at cost less any provision for impairment. Dividend income is recognised in the profit and loss account on the date the company's right to receive payments is established.

Trade and other debtors

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

Stocks

Stocks are stated at the lower of cost and net realisable value and are net of supplier rebates receivable. Cost includes expenditure incurred in acquiring the stocks and bringing them to their existing location and condition.

Cash at bank and in hand

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.

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.

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. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable and the amount of revenue can be measured reliably.

Rebates

Customer and supplier rebates are based on a mixture of sales/purchase volumes and values, as agreed with the respective customers and suppliers. The rebates can be estimated with a reasonable level of certainty and involve a minimal level of judgement. Arising rebate income/expense streams are recognised in a prudent manner in the income statement, and are regularly reviewed for completeness and accuracy.

1 Accounting policies *(continued)*

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.

Exceptional items

Exceptional items are those material items which, by virtue of their size or incidence, are presented separately in the income statement to give a full understanding of the Company's financial performance. Transactions which may give rise to exceptional items include the restructuring of business activities.

2 Revenue

All revenue derives from one class of business and is mainly based in the United Kingdom. The overseas turnover for the business amounted to £20,736,000 *(2016: £16,284,000)*.

Notes *(continued)*

3 Operating profit is stated after charging/(crediting):

	2017 £000	2016 £000
Depreciation:		
Owned assets	**6,407**	7,419
Leased assets	**2,836**	2,399
Amortisation:		
Software	**2,927**	3,185
Licences	**100**	102
Operating lease and hire charges:		
Land and buildings	**11,593**	10,843
Other	**10,089**	12,147
Loss on disposal of property, plant & equipment	**168**	318
Loss on disposal of intangible assets	**1**	217
Foreign exchange gains	**(99)**	(87)

Exceptional expenditure:

	2017 £000	2016 £000
Impairment of investments	**-**	9,000
Redundancy costs	**284**	161
Investments acquisition costs	**-**	226
Restructuring and rebranding charges	**1,216**	913
Total exceptional expenditure	**1,500**	10,300

Auditors remuneration:

	2017 £000	2016 £000
Audit of these financial statements	**147**	135
Other services relating to tax	**135**	154

Notes *(continued)*

4 Directors' remuneration

	2017 £000	2016 £000
Remuneration	**3,182**	2,938
Share based payment	**415**	221
Company contributions to money purchase pension scheme	**38**	61
	3,635	3,220
Remuneration includes:		
Highest paid director	**1,030**	965

	Number of directors 2017	2016
Retirement benefits were accruing to the following number of directors who served during the year under:		
Money purchase schemes	5	6
The number of directors who served during the year and who exercised share options was	6	5

Company pension contributions of £Nil (*2016: £8,000*) were made to a money purchase scheme on behalf of the highest paid director. At the end of the year, 3 directors (*2016: 4*) were accruing retirement benefits under a money purchase scheme.

5 Staff numbers and costs

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

	Number of employees 2017	2016
Management	**1,044**	1,062
Distribution	**3,041**	2,989
Sales	**916**	893
	5,001	4,944

The aggregate employment costs during the year were as follows:

	2017 £000	2016 £000
Wages and salaries	**148,336**	144,513
Social security costs and apprenticeship levy	**15,015**	14,454
Other pension costs (Note 18)	**3,404**	3,487
	166,755	162,454

Notes *(continued)*

6 Income from shares in group undertakings

	2017 £000	2016 £000
Dividends received	**1,200**	4,357
	1,200	4,357

7 Financial income

	2017 £000	2016 £000
Interest income	**34**	30
	34	30

8 Financial expenses

	2017 £000	2016 £000
Group interest	**199**	250
Bank interest	**115**	174
Unwinding of discount on dilapidation provisions (see note 19)	**284**	302
Finance leases	**162**	175
Other interest	**251**	228
	1,011	1,129

Notes *(continued)*

9 Taxation

a) Recognised in the statement of comprehensive income:

	2017 £000	2017 £000	2016 £000	2016 £000
Current year	**10,723**		9,203	
Adjustments for prior years	**437**		(92)	
Total current tax		**11,160**		9,111
Origination and reversal of temporary differences	**(331)**		579	
Adjustments for prior years	**(102)**		-	
Reduction in tax rates	**(190)**		(482)	
Total deferred tax charge (note 20)		**(623)**		97
Total tax in the statement of comprehensive income		**10,537**		9,208

b) Reconciliation of effective tax rate

	2017 £000	2016 £000
Profit before taxation	**51,814**	38,853
Tax using the UK corporation tax rate of 19.75% *(2016:20%)*	**10,233**	7,770
Non deductible expenses - impairment of investment	**-**	1,800
Non deductible expense - others	**159**	1,083
Non taxable income	**-**	(871)
Adjustment in respect of prior years	**335**	(92)
Reduction in tax rates	**(190)**	(482)
Total tax in the statement of comprehensive income	**10,537**	9,208

A reduction in the UK corporation tax rate from 21% to 20% (effective from 1 April 2016) was substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective from 1 April 2020) were substantively enacted on 26 October 2016. The deferred tax asset/liability at 30 June 2017 has been calculated based on the rate of 18% substantively enacted at the balance sheet date.

An additional reduction to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2017. This will reduce the company's future current tax charge accordingly

10 Dividends

	2017 £000	2016 £000
Interim – paid at 6.30p per share *(2016: 6.50p per share)*	**18,909**	19,506

There are no final dividends proposed *(2016: £Nil)*.

Notes *(continued)*

11 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 30 June 2016	57,474	38,505	3,171	86,690	10,657	196,497
Additions	269	1,965	20	2,955	1,702	6,911
Reclassifications	7	7,877	73	1,627	(9,584)	-
Transfer to intangible assets	-	-	-	-	(15)	(15)
Disposals	(74)	(495)	(50)	(264)	-	(883)
Balance at 30 June 2017	**57,676**	**47,852**	**3,214**	**91,008**	**2,760**	**202,510**
Depreciation						
Balance at 30 June 2016	12,066	18,287	3,083	70,690	-	104,126
Charge for year	1,717	2,819	17	4,690	-	9,243
Reclassifications	-	-	-	-	-	-
Transfer to intangible assets	-	-	-	-	-	-
Disposals	(13)	(404)	(50)	(245)	-	(712)
Balance at 30 June 2017	**13,770**	**20,702**	**3,050**	**75,135**	**-**	**112,657**
Net book value						
At 30 June 2016	45,408	20,218	88	16,000	10,657	92,371
At 30 June 2017	**43,906**	**27,150**	**164**	**15,873**	**2,760**	**89,853**

The amount on which depreciation of freehold and long leasehold properties is based is £103,541,000 *(2016: £93,992,000)*.

Leased plant and machinery: The Company leases a number of properties and plant under finance lease agreements. At 30 June 2017, the net carrying amount of leased plant and buildings was £1,956,000 *(2016: £2,260,000)*.

Notes *(continued)*

12 Intangible assets

	IT software £000	IT software work in progress £000	Licences £000	Goodwill £000	Total £000
Cost					
Balance at 1 July 2016	36,234	1,639	1,000	26,021	64,894
Additions	2,485	734	-	-	3,219
Reclassifications	1,815	(1,815)	-	-	-
Transfer from property plant and equipment	15	-	-	-	15
Disposals	(2)	-	-	-	(2)
Balance at 30 June 2017	**40,547**	**558**	**1,000**	**26,021**	**68,126**
Amortisation					
Balance at 1 July 2016	29,134	-	502	3,290	32,926
Charge for period	2,927	-	100	-	3,027
Transfer from property plant and equipment	-	-	-	-	-
Disposals	(1)	-	-	-	(1)
Balance at 30 June 2017	**32,060**	**-**	**602**	**3,290**	**35,952**
Net book value					
At 30 June 2016	7,100	1,639	498	22,731	31,968
At 30 June 2017	**8,487**	**558**	**398**	**22,731**	**32,174**

Impairment Review: -

The carrying value of the purchased goodwill has been reviewed as at 30 June 2017 and no write down for any impairment is deemed appropriate.

Goodwill arose on the acquisition of the trade and assets of HM Group Limited, Swithenbank Foods Limited & Wilson Watson Limited in 2004, and the Inverness Farmers trading division of 3663 Alba Limited in 2016. As the cashflows of this business are not independent of the cash flows from the rest of the Company the Cash Generating Unit (CGU) for the testing of goodwill is the entire Company. The recoverable amount is based on the value in use which is determined by discounting the future cashflows generated using a discount rate of 9%. There is significant headroom on this basis and after adjusting for reasonably possible scenarios.

Notes *(continued)*

13 Investments in subsidiaries

	Shares in subsidiary undertakings £000
At 30 June 2016	102,759
Disposals	(150)
Impairment	-
At 30 June 2017	**102,609**

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	Holding	Class of shares held	Principal activity
The Barton Meat Company Ltd	100% holding	£1 Ordinary	Ceased trading
3663 Developments Ltd	100% holding	£1 Ordinary	Property development
3663 (Edinburgh) Ltd	100% holding	£1 Ordinary	Property management
MGS Management Services Ltd	100% holding	£1 Ordinary	Trading company
3663 Transport Ltd	100% holding	£1 Ordinary	Trading company
PCL Transport 24/7 Ltd	100% holding	£1 Ordinary	Trading company
PCL 24/7 Ltd	100% holding	£1 Ordinary	Trading company
Caterfood Holdings Ltd	94% holding	£1 Ordinary	Holding company
Caterfood (South West) Ltd	94% holding	£1 Ordinary	Trading company
Quality Cuisine (South West) Ltd	94% holding	£1 Ordinary	Trading company
Yarde Farm Ltd	94% holding	£1 Ordinary	Trading company
Motec (South West) Ltd	94% holding	£1 Ordinary	Trading company

During the current year, the company acquired a further 6% holding in Caterfood Holdings Ltd, the parent company of Caterfood (South West) Ltd, Quality Cuisine (South West) Ltd, Yarde Farm Ltd and Motec (South West) Ltd.

Associate undertakings	Holding	Class of shares held	Principal activity
HGVH Ltd	20% holding	£1 Ordinary	Software development

HGVH Limited, which trades under the name of Computer Systems for Distribution (CSfD). CSfD are a business partner of the company and undertake software development and maintenance for the company. A £150,000 loan repayment was made during the current year.

An impairment of £9.0m in the cost of investment in PCL Transport 24/7 Limited was made during the preceding year. In respect of the net operating assets, management have provided for the worst case scenario notwithstanding recoveries from legal action and insurance claims.

14 Stocks

	2017 £000	2016 £000
Raw materials and consumables	**79**	150
Goods for resale	**91,555**	90,377
	91,634	90,527

Notes *(continued)*

15 Trade and other debtors

	2017	2016
	£000	£000
Trade debtors	**191,006**	188,966
Other debtors, prepayments and accrued income	**19,878**	17,720
Other debtors due from subsidiary undertakings	**35,530**	31,780
Other debtors due from fellow subsidiary undertakings	**1,654**	1,223
Other debtors due from other group undertakings	**3,600**	1,845
	251,668	241,534

Full provision has been made against £16,500,000 *(2016: £16,500,000)*, included within amounts due from subsidiary undertakings (due from The Barton Meat Company Limited), as at 30 June 2017. Full provision has also been made against £733,000 *(2016: £733,000)*, included within amounts due from fellow subsidiary undertakings, (due from Giffords Fine Foods Limited), as at 30 June 2017.

16 Other interest-bearing loans and borrowings

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

	2017	2016
	£000	£000
Non-current liabilities		
Finance lease liabilities	**645**	825
	645	825
Current liabilities		
Amounts owed to immediate parent company	**14,743**	19,256
Current portion of finance lease liabilities	**180**	166
	14,923	19,422

Notes *(continued)*

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

Finance lease liabilities

Finance lease liabilities are payable as follows:

	Minimum lease payments 2017 £000	**Interest 2017 £000**	**Principal 2017 £000**	Minimum lease payments 2016 £000	Interest 2016 £000	Principal 2016 £000
Less than one year	**256**	**76**	**180**	256	90	166
Between one and five years	**677**	**160**	**517**	792	212	580
More than five years	**141**	**13**	**128**	281	36	245
	1,074	**249**	**825**	1,329	338	991

The amount owed to the immediate parent company is unsecured, payable on demand and incurs interest at the following rates:

	2017 £000	2016 £000
At 1.5% above HSBC Bank plc base rate	**10,228**	10,228
At HSBC Bank plc base rate	**4,515**	9,028
	14,743	19,256

17 Trade and other creditors

	2017 £000	2016 £000
Trade payables	**296,255**	306,666
Other taxation and social security	**8,677**	9,038
Accruals and deferred income	**49,560**	48,119
Corporation tax	**7,483**	5,915
Amounts owed to fellow subsidiary companies	**13,603**	13,603
Amounts owed to subsidiary companies	**38,169**	38,130
Amounts owed to immediate parent company	**18,393**	7,617
Amounts owed to other group undertakings	**210**	178
	432,350	429,266

18 Employee benefits

Pension scheme

Bidcorp (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 £3,404,000 (*2016:* £3,487,000).

Contributions amounting to £519,000 (*2016:* £555,000) were payable to the scheme at the year end.

Notes *(continued)*

19 Provisions for liabilities and charges

	Self insurance £000	Redundant properties £000	Dilapidations £000	£000
2016				
At 1 July 2015	5,295	70	7,802	13,167
Provided during the year	-	-	1,530	1,530
Discount unwind (see note 8)	-	-	302	302
Utilised during the year	(539)	(70)	(928)	(1,537)
At 30 June 2016	4,756	-	8,706	13,462

	Self insurance £000	Redundant properties £000	Dilapidations £000	Total £000
2017				
At 1 July 2016r	4,756	-	8,706	13,462
Provided during the year	-	-	-	-
Discount unwind (see note 8)	-	-	284	284
Utilised during the year	(1,944)	-	(1,503)	(3,447)
At 30 June 2017	2,812	-	7,487	10,299
Current	1,097	-	380	1,477
Non-current	1,715	-	7,107	8,822
At end of year	2,812	-	7,487	10,299

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 for how much and the provision is therefore calculated using management's expertise and experience together with 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. The provision was fully utilised during the current year. The major area of uncertainty in the calculation of the provision related 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 2017 to 2027. The provisions have been estimated by management, based on advice provided by the company's property management agents.

Notes *(continued)*

20 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2017	2016	**2017**	2016	**2017**	2016
	£000	£000	**£000**	£000	**£000**	£000
Property, plant and equipment	**-**	-	**4,144**	4,841	**4,144**	4,841
Provisions	**(423)**	(497)	**-**	-	**(423)**	(497)
Net tax (assets) / liabilities	**(423)**	(497)	**4,144**	4,841	**3,721**	4,344

Movement in deferred tax during the year

	01 July 2016 £000	Recognised in income £000	30 June 2017 £000
Property, plant and equipment	4,841	(697)	**4,144**
Provisions	(497)	74	**(423)**
Net tax (assets) / liabilities	4,344	(623)	**3,721**

21 Operating lease commitments

Non-cancellable operating lease rentals are payable as follows:

	2017		2016	
	Land and buildings	**Other**	Land and buildings	Other
	£000	**£000**	£000	£000
Less than one year	**10,235**	**9,258**	8,471	9,453
Between one and five years	**40,411**	**19,837**	32,982	23,110
More than five years	**43,239**	**4,494**	45,693	7,163
	93,885	**33,589**	87,146	39,726

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 2017, £21,682,000 was recognised as an expense in the income statement in respect of operating leases and hire charges *(2016: £22,990,000)*.

Notes *(continued)*

22 Share capital

	2017 £000	2016 £000
Allotted, called up and fully paid		
300,000,000 ordinary shares of 10p each	**30,000**	30,000

23 Capital commitments

Capital commitments authorised as at 30 June 2017, but not provided for in these financial statements amounted to £12,485,000 *(2016: £6,991,000)*, in respect of which contracts for £11,945,000 *(2016: £2,866,000)* have been placed.

24 Ultimate holding company

The ultimate holding company of BFS Group Limited is Bid Corporation 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. Copies of financial statements of Bid Corporation Limited are available upon application to the Company Secretary at the registered address of the company: Postnet Suite 136, Private Bag X9976, Johannesburg, 2146 South Africa.

25 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 19.

(b) Provisions for dilapidations - details of the estimates are set out in note 19.