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BRAKES

Foodservice solutions



Brake Bros Limited

Annual Report

For the year ended 31 December 2005

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Directors' report

The directors submit their report and the audited financial statements for the year ended 31 December 2005.

Principal activity and business review

The principal activity of the Group and Company is the specialist supply of frozen, chilled and ambient foods as well as catering supplies and equipment to the catering industry. Brake Bros Limited is a limited company and is incorporated and operates in the United Kingdom.

The results of the Group for the year are set out in the consolidated income statement on page 6. As explained further in note 1 to the financial statements, exceptional items have been incurred during the year in relation to asset impairment and restructuring in the UK and Continental Europe.

Both the level of business and the year end financial position were satisfactory, and the Directors expect that the present level of activity will be sustained for the foreseeable future.

Brake Bros Limited has adopted International Financial Reporting Standards ("IFRS") in these financial statements. A reconciliation of the results and net assets under UK GAAP, as previously reported, to IFRS is included in note 29. The adoption of IFRS has resulted in a number of significant adjustments to the previously reported results and net assets. The main changes were in relation to pensions, fixed assets and deferred taxation.

Dividends

No interim dividends (2004: £nil) have been paid and the Directors do not recommend a final dividend (2004: £nil). During the year a subsidiary undertaking has paid interest amounting to £1.4m (2004: £2.0m) in respect of preference shares, which are classified within debt.

Directors and their interests

The directors who held office during the year are given below:

R J Schnall	(resigned 30 April 2005)
J W Rogers	(resigned 18 April 2005)
W P Driscoll	(resigned 18 April 2005)
D B Harte	(resigned 2 September 2005)
B Deschamps	(appointed 15 April 2005)
J L Rice	(appointed 30 April 2005)
I D Power	(appointed 2 September 2005)

At the date of his appointment and at the year end, I D Power held 20,000 B, 30,000 C1 and 10,000 C2 ordinary shares of 1p each in the Company's ultimate parent Brake Bros Holding I Limited. The interests of the other Directors at the end of the financial year in the shares of the Company's ultimate parent Brake Bros Holding I Limited are set out in the annual report for that company.

At the date of his appointment I D Power held 1,279 £1 nominal loan notes in the Company's parent undertaking, Brake Bros Acquisition PLC. None of the Directors at the end of the financial year had any other interests in the ordinary shares or loan stock of any Group undertaking at the end of the financial year, or at any time during the financial period subsequent to their appointment as a director of the Company.

Since the year end F J McKay was appointed as a director on 3 January 2006.

Employment report

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

The Group employs around 9,000 people. We provide extensive training and career development programmes. It is our policy to achieve and maintain a high standard of health and safety at work and to ensure everyone, regardless of race, religion or sex, and including disabled people where reasonable and practicable, is treated in the same way as regards employment, training, career development and promotion. Every effort is made to help with the rehabilitation of anyone disabled during their employment, and to that end we have embarked on an Employee Care Programme with our insurers.

Creditor payment policy

The Group's policy is generally to agree terms of payment with suppliers to settle invoices accordingly. The practice on payment has been quantified under the terms of the Statement of Payment Practice Regulations. The number of days' suppliers invoices included in trade payables at 31 December 2005 represented 55 days (2004: 60 days) of annual purchases for the Group. The number of days' suppliers invoices included in trade payables at 31 December 2005 represented 60 days (2004: 59 days) of annual purchases for the Company.

Donations

The Group actively supports and encourages charitable activity in support of the community. In addition, direct donations to charitable organisations amounting to £27,000 (2004: £4,000) were made in the year. No donations were made to any political party.

Financial risk management:

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

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

(a) Foreign exchange risk

The Group has operations in the UK and Continental Europe (all within the Eurozone). The Group is exposed to foreign exchange risks primarily with respect to the euro.

(b) Interest rate risk

The Group has both interest bearing assets and interest bearing liabilities. The Group maintains assets and liabilities at both fixed and floating rates of interest to generate the desired interest profile and manage the Group's exposure to interest rate fluctuations.

(c) Credit risk

The Group has no significant concentrations of credit risk. The Group has implemented policies that require appropriate credit checks on potential customers before sales commence.

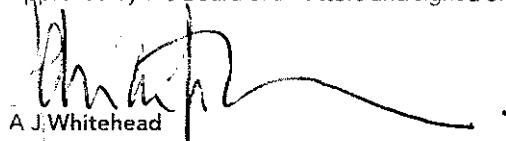
(d) Liquidity risk

The Group actively maintains a mixture of long-term and short-term facilities, including amounts funded from group undertakings that are designed to ensure the Group has sufficient available funds for operations and planned expansions.

Auditors

The Company passed an Elective Resolution on 18 March 2003 in accordance with the Companies Act 1985 dispensing with the obligation to hold Annual General Meetings and appoint auditors annually. Accordingly PricewaterhouseCoopers LLP shall remain in office until the Company or PricewaterhouseCoopers LLP otherwise determine.

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


A J Whitehead
Secretary
24 April 2006

Registered office:
Enterprise House
Eureka Business Park
Ashford
Kent
TN25 4AG
Registered Number: 2035315

Statement of Directors' responsibilities

Company law requires the Directors to prepare financial statements for each financial period that give a true and fair view of the state of affairs of the Company and of the Group and of the profit or loss of the Group for that period.

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

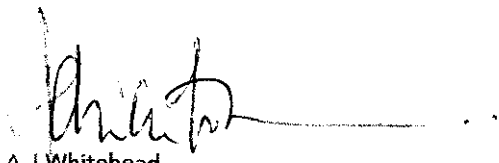
- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State that the financial statements comply with IFRS; and
- Prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Group will continue in business.

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors acknowledge their responsibility for the maintenance and integrity of the Group's websites. Information published on the internet is accessible in many countries with different legal requirements. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other legal jurisdictions

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



A J Whitehead

Secretary

24 April 2006

Independent Auditors' report to the shareholders of Brake Bros Limited

We have audited the Group and Parent Company financial statements ("the financial statements") of Brake Bros Limited for the year ended 31 December 2005 which comprise the consolidated income statement, the consolidated balance sheet, the Company balance sheet, the consolidated and Company cash flow statements, the Group and Company statements of recognised income and expense, the accounting policies and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of Directors and Auditors

The Directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' report is not consistent with the financial statements, if 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 transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Directors' report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

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 judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and 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.

Opinion

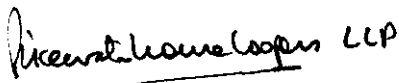
In our opinion:

- The Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 31 December 2005 and of its profit and cash flows for the year then ended;
- The Parent Company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the Parent Company's affairs as at 31 December 2005 and of its cash flows for the year then ended; and
- The financial statements have been properly prepared in accordance with the Companies Act 1985.

Separate opinion in relation to IFRSs

As explained in the accounting policies, the Group in addition to complying with IFRSs as adopted by the European Union, has also complied with the IFRSs as issued by the International Accounting Standards Board.

In our opinion the Group financial statements give a true and fair view, in accordance with IFRSs, of the state of the Group's affairs as at 31 December 2005 and of its profit and cash flows for the year then ended.

A handwritten signature in black ink that reads "PricewaterhouseCoopers LLP". The signature is written in a cursive, flowing style.

PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors

Gatwick

24 April 2006

Consolidated income statement

For the year ended 31 December 2005

	Notes	Before exceptional items £m	Exceptional items £m	Total 2005 £m	Before exceptional items £m	Exceptional items £m	Total 2004 £m
Continuing operations							
Revenue	1	1,628.3	–	1,628.3	1,566.8	–	1,566.8
Operating costs		(1,565.3)	(55.2)	(1,620.5)	(1,499.2)	(11.3)	(1,510.5)
Operating profit	1	63.0	(55.2)	7.8	67.6	(11.3)	56.3
Interest payable and similar charges	2	(19.4)	–	(19.4)	(16.5)	–	(16.5)
Interest receivable	2	7.0	–	7.0	6.2	–	6.2
(Loss) / profit on ordinary activities before taxation		50.6	(55.2)	(4.6)	57.3	(11.3)	46.0
Taxation	3	(7.4)	12.8	5.4	(18.9)	2.6	(16.3)
Profit for the year after taxation		43.2	(42.4)	0.8	38.4	(8.7)	29.7
Non-equity dividends	2	–	–	–	(2.0)	–	(2.0)
Profit for the year		43.2	(42.4)	0.8	36.4	(8.7)	27.7
(Loss) / profit attributable to minority interests							
(Loss) / profit attributable to minority interests		(0.1)	–	(0.1)	0.4	–	0.4
Profit attributable to equity shareholders	20	43.3	(42.4)	0.9	36.0	(8.7)	27.3
		43.2	(42.4)	0.8	36.4	(8.7)	27.7

Statements of recognised income and expense

For the year ended 31 December 2005

		Group	Company		
	Notes	2005 £m	2004 £m	2005 £m	2004 £m
Profit / (loss) for the financial year		0.8	27.7	(15.2)	26.9
Net exchange differences on foreign currency translations		(1.9)	0.3	–	(0.2)
Actuarial losses on defined benefit pension scheme	16	(7.2)	(6.2)	(7.1)	(5.9)
Deferred tax on items taken directly to equity	3	2.2	1.7	2.2	1.7
Net losses not recognised in income statement		(6.9)	(4.2)	(4.9)	(4.4)
Total recognised (expense) / income for the year		(6.1)	23.5	(20.1)	22.5
Attributable to minority interests		(0.2)	0.4	–	–
Attributable to equity shareholders		(5.9)	23.1	(20.1)	22.5
		(6.1)	23.5	(20.1)	22.5

Consolidated balance sheet

As at 31 December 2005

	Notes	2005 £m	2004 £m
Assets			
Non-current assets			
Goodwill	5	101.4	111.5
Intangible assets	6	8.3	24.0
Property, plant and equipment	7	166.4	163.6
Deferred tax assets	17	22.5	8.2
Overseas taxation		0.7	1.2
		299.3	308.5
Current assets			
Inventories	9	52.8	58.3
Trade and other receivables	10	214.6	199.1
Cash and cash equivalents	11	78.2	101.1
		345.6	358.5
Liabilities			
Current liabilities			
Financial liabilities - borrowings	14	(55.7)	(175.8)
Trade and other payables	12	(290.0)	(302.0)
Current tax liabilities	13	(5.3)	(1.3)
		(351.0)	(479.1)
Net current liabilities			
		(5.4)	(120.6)
Non-current liabilities			
Financial liabilities - borrowings	14	(123.7)	(16.2)
Pension scheme liabilities	16	(49.8)	(44.0)
		(173.5)	(60.2)
Net assets			
		120.4	127.7
Shareholders' equity			
Called up share capital	18	5.4	5.4
Shared premium account	21	30.8	30.8
Other reserves	20	(1.6)	1.0
Retained earnings	20	85.5	88.8
Total shareholders' equity			
Minority interest in equity	21	0.3	1.7
Total equity			
		120.4	127.7

The financial statements on pages 6 to 46 were approved by the Board of Directors on 24 April 2006 and were signed on its behalf by:



I D Power
Director

Company balance sheet

As at 31 December 2005

	Notes	2005 £m	2004 £m
Assets			
Non-current assets			
Goodwill	5	16.1	16.1
Intangible assets	6	4.7	17.6
Property, plant and equipment	7	126.4	119.7
Deferred tax assets	17	16.7	9.0
Investments in subsidiaries	8	204.4	219.1
		368.3	381.5
Current assets			
Inventories	9	33.9	38.1
Trade and other receivables	10	84.3	142.7
Cash and cash equivalents	11	64.8	93.3
		183.0	274.1
Liabilities			
Current liabilities			
Financial liabilities - borrowings	14	(53.7)	(174.8)
Trade and other payables	12	(262.2)	(243.0)
Current tax liabilities	13	(4.8)	(1.3)
		(320.7)	(419.1)
Net current liabilities			
		(137.7)	(145.0)
Non-current liabilities			
Financial liabilities - borrowings	14	(21.2)	(12.7)
Pension scheme liabilities	16	(48.1)	(42.5)
		(69.3)	(55.2)
Net assets			
		161.3	181.3
Shareholders' equity			
Called up share capital	18	5.4	5.4
Shared premium account	21	30.8	30.8
Other reserves	20	10.7	11.4
Retained earnings	20	114.4	133.7
Total shareholders' equity			
		161.3	181.3

The financial statements on pages 6 to 46 were approved by the Board of Directors on 24 April 2006 and were signed on its behalf by:



I D Power
Director

Consolidated cash flow statement

For the year ended 31 December 2005

	Notes	2005 £m	2004 £m
Cash flows from operating activities			
Cash generated from operations	22 (a)	65.9	105.4
Interest received		1.0	0.7
Interest paid		(14.9)	(10.0)
Debt issue costs paid		(0.6)	–
Tax received		3.9	1.8
Net cash from operating activities		55.3	97.9
Cash flows from investing activities			
Purchase of property, plant and equipment		(20.6)	(29.5)
Purchase of intangible assets		(12.3)	(14.3)
Sale of property, plant and equipment		7.5	11.4
Purchase of subsidiary undertakings and businesses 23		(2.7)	(2.8)
Net cash used in investing activities		(28.1)	(35.2)
Cash flows from financing activities			
Payments to parent undertakings		(142.7)	(14.7)
Loan drawdowns		101.0	–
Loan repayments		(0.1)	(0.5)
Finance lease capital repayments		(8.1)	(5.8)
Net cash flow from financing activities		(49.9)	(21.0)
Effects of exchange rate changes		(0.2)	(0.1)
Net (decrease) / increase in cash and cash equivalents		(22.9)	41.6
Cash and cash equivalents at 1 January		101.1	59.5
Cash and cash equivalents at 31 December	11	78.2	101.1

Company cash flow statement

For the year ended 31 December 2005

	Notes	2005 £m	2004 £m
Cash flows from operating activities			
Cash generated from operations	22 (a)	147.6	104.5
Interest received		1.0	0.7
Interest paid		(10.5)	(9.6)
Tax received		3.5	1.9
Net cash from operating activities		141.6	97.5
Cash flows from investing activities			
Purchase of property, plant and equipment		(15.0)	(25.7)
Purchase of intangible assets		(11.1)	(12.5)
Sale of property, plant and equipment		6.6	9.3
Purchase of subsidiary undertakings and businesses		(0.7)	(3.5)
Net cash used in investing activities		(20.2)	(32.4)
Cash flows from financing activities			
Payments to parent undertakings		(142.7)	(14.7)
Loan repayments		(0.1)	–
Finance lease capital repayments		(7.1)	(4.4)
Net cash flow from financing activities		(149.9)	(19.1)
Net (decrease) / increase in cash and cash equivalents		(28.5)	46.0
Cash and cash equivalents at 1 January		93.3	47.3
Cash and cash equivalents at 31 December		64.8	93.3

Accounting policies

A. Basis of preparation

These financial statements are the consolidated financial statements of Brake Bros Limited ("the Group") and the entity financial statements of Brake Bros Limited ("the Company") for the year ended 31 December 2005.

Following the European Union's adoption of International Financial Reporting Standards (IFRS), the Group has adopted IFRS in its consolidated and Parent Company financial statements for accounting periods from 1 January 2005. Previously the Group has prepared its financial statements in accordance with UK Generally Accepted Accounting Principles (UK GAAP).

The disclosures concerning the transition from UK GAAP to IFRS, namely the reconciliations of equity at 1 January 2004 (the date of transition to IFRS) and at 31 December 2004 (date of last UK GAAP financial statements) and the reconciliation of the consolidated profit and loss account for the year ended 31 December 2004, together with an explanation of material adjustments to the consolidated cash flow statement for the year ended 31 December 2004 are presented in note 29.

These financial statements have been prepared in accordance with IFRS, as adopted by the European Union and also as issued by the International Accounting Standards Board, and International Financial Reporting Interpretations Committee interpretations and with those parts of the Companies Act 1985 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention except as modified by the revaluation of certain financial instruments. A summary of the more important Group accounting policies under IFRS is set out in note C, and an explanation of where changes have been made to previous policies on adoption of IFRS is set out in note B.

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

At the year end, the Group had net current liabilities amounting to £5.4m (2004: £120.6m). However, based on the expected future trading of the Group, the Directors are satisfied that the Group will have sufficient funds to repay its liabilities as they fall due. On this basis the Directors consider it appropriate to prepare the financial statements on the going concern basis.

B. Transitional arrangements

On transition to IFRS, an entity is generally required to apply IFRS retrospectively, except where an exemption is available under IFRS 1 'First-time adoption of International Financial Reporting Standards'. The following is a summary of the key elections from IFRS 1 that have been made by the Group.

- The Group has elected not to apply IFRS 3 'Business Combinations' retrospectively to past business combinations, being those business combinations which occurred prior to 1 January 2004. As a result, the balance of goodwill under UK GAAP as at 31 December 2003 is the deemed IFRS cost of goodwill at 1 January 2004. Goodwill is not amortised under IFRS but instead is subject to an annual impairment review.
- The Group has elected to use the IFRS 1 exemption to reset foreign currency cumulative translation differences on foreign operations to zero on transition to IFRS. Cumulative foreign currency translation differences are included as part of other reserves under IFRS, and disclosed separately.

- The Group has elected to recognise all actuarial gains and losses on pensions directly in shareholders' equity at 1 January 2004. The full defined benefit pension scheme deficit as at 1 January 2004 is therefore recognised in the balance sheet.
- The Group has elected to use previous UK GAAP revaluations of property, plant and equipment as deemed cost at the date of transition to IFRS.
- The Group has elected to take advantage of the IFRS 1 exemption that allows IAS 32 'Financial Instruments: Disclosure and Presentation' and IAS 39 'Financial Instruments: Recognition and Measurement' to be applied from 1 January 2005 with no restatement of comparative information. Accordingly, the Group has continued to apply UK GAAP in order to recognise, measure and disclose financial instruments in the comparative information. Adjustments arising from the adoption of these standards are reflected through the opening balance sheet as at 1 January 2005. Further details of this change in policy are set out below.

C. Significant accounting policies

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

Basis of consolidation

These financial statements consolidate the financial statements of the Company and all its subsidiary undertakings. Subsidiaries include special purpose entities where the substance of the relationship between the Group and the special purpose entity indicates that it is controlled by the Group.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of the exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of the acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill.

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

Change in accounting policy

As set out in note B above, the Group has adopted the requirements of IAS 32 and IAS 39 in the year ended 31 December 2005, with the comparative information for the year ended 31 December 2004 prepared in accordance with UK GAAP. The main impact of the change in policy is that the Group now classifies financial instruments it issues as a financial liability, financial asset or equity according to the substance of the contractual arrangement. The main effect of this change is to re-classify certain preference shares as financial liabilities. The Group's previous policy was to classify preference shares in accordance with their legal form.

Revenue

Revenue comprises the fair value of the consideration for the sale of products, net of value added tax, rebates and discounts and after eliminating sales within the Group.

Revenue is recognised when the Group has delivered the products, has transferred to the buyer the significant risks and rewards of ownership and when it is considered probable that the related receivable is collectible.

Exceptional items

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

Property, plant and equipment

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

Cost represents invoiced cost plus any other costs that are directly attributable to the acquisition of the item.

Under the transitional rules of IFRS 1, the Group has elected to use previous UK GAAP revaluations as deemed cost on transition to IFRS.

No depreciation is provided on freehold land.

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

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

Asset lives and residual values are reviewed each financial year.

Investments in subsidiaries

Investments in subsidiaries held as fixed assets are stated at cost less a provision for any impairment in value.

Intangible assets

(a) Goodwill

The Group has elected not to apply IFRS 3 'Business Combinations' retrospectively for those business combinations which occurred prior to 1 January 2004. Accordingly, the balance of goodwill under UK GAAP as at 31 December 2003 is the deemed IFRS cost of goodwill as at 1 January 2004.

For business combinations on or after 31 March 2004, the Group has adopted IFRS 3. Accordingly, goodwill arising represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities acquired.

Goodwill is not subject to annual amortisation but is instead tested annually for impairment and carried at cost less accumulated impairment losses.

(b) Computer software

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

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

The residual value and useful economic life are reviewed, and adjusted if appropriate at each balance sheet date.

(c) Customer lists

Customer lists are acquired separately or as part of a business combination.

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

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

Customer lists are amortised on a straight line basis over their useful economic lives, which are considered to be between 3 and 5 years. These are assumed to have no residual value at the end of their useful economic life.

Impairment of assets

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

Inventories

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

Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost less provision for impairment. A provision for impairment is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is recognised in the income statement.

Cash and cash equivalents

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

Deferred taxation

A deferred tax asset or liability is recognised for all taxable temporary differences, except that in accordance with IAS 12 'Income Taxes' a deferred tax liability is not recognised on the initial recognition of goodwill nor in respect of goodwill for which amortisation is not deductible for tax purposes.

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

Employee benefits

Defined benefit pension plan

The Group operates a defined benefit funded pension scheme covering the majority of its employees. This scheme was made fully paid up at 31 December 2003 and the employees had the option to transfer into the defined contribution pension scheme.

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

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

Actuarial gains and losses arise from experience adjustments (the effects of differences between previous actuarial assumptions and what has actually occurred) and changes in actuarial assumptions. The Group has chosen to adopt the amendments to IAS 19 'Employee Benefits' which were endorsed by the European Union on 8 November 2005, with effect from the Group's date of transition to IFRS.

Accordingly, actuarial gains and losses are recognised in full, in the year they occur, in the statement of recognised income and expenditure.

Defined contribution plan

Contributions to the defined contribution pension scheme are charged to the income statement on an accruals basis, based on when they are payable.

Leases

Assets acquired under finance leases are included in the balance sheet as property, plant and equipment and are depreciated over the lease term. The capital element of future rentals is treated as a liability. Rentals are apportioned between reductions of the respective liabilities and finance charges, which are dealt with under interest payable in the income statement.

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

Foreign currencies

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

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

Monetary assets and liabilities denominated in foreign currencies are translated into the relevant functional currency at the rates of exchange ruling at the balance sheet date. Differences arising on translation are charged or credited to the income statement.

The income statements of foreign subsidiary companies are translated into sterling at monthly average exchange rates and the balance sheets are translated at the exchange rates ruling at the balance sheet date. On consolidation, exchange differences arising from the translation of the net investment in foreign subsidiaries, and of borrowings designated as hedges of such investments, are taken to shareholders' equity. From 1 January 2004 these exchange differences are disclosed as a separate component of shareholders' equity within other reserves.

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

Borrowings

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

Borrowings are subsequently measured at amortised cost using the effective interest method. Amortised cost is adjusted for the amortisation of any transaction costs. The amortisation is recognised in interest payable and similar charges.

All borrowings denominated in currencies other than sterling are translated at the rate ruling at the balance sheet date.

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

Share capital

Where the Group issues shares or other financial instruments, these financial instruments are classified as a financial liability, financial asset or equity according to the substance of the contractual arrangement, or its component parts. Dividends or interest arising on such financial instruments are recognised according to the classification of the financial instrument.

Share based payments

The Group determines the fair value of equity instruments granted to employees at the date of the grant. Vesting conditions, other than market conditions, are not taken into account when estimating the fair value. The Group recognises an amount within staff costs in the income statement during the vesting period based on the expected number of equity instruments which will vest.

Notes to the financial statements

1. Revenue and operating profit

	2005 £m	2004 £m
Revenue - products	1,628.3	1,566.8
Direct purchase cost	(1,157.6)	(1,135.0)
Trading profit	470.7	431.8
Distribution and selling costs	(344.8)	(306.6)
Gross profit	125.9	125.2
Administrative expenses	(61.4)	(56.8)
Exceptional items (see below)	(55.2)	(11.3)
Goodwill impairment (see note 5)	(0.7)	(0.7)
Amortisation of intangibles - customer lists	(0.8)	(0.1)
Total administrative expenses	(118.1)	(68.9)
Group operating profit	7.8	56.3

Bad debt costs, previously included within the selling and administrative costs are now included within the cost of sales as this is considered to be a more appropriate classification. Prior year figures have been restated accordingly.

The Group's revenue relates primarily of sales to customers within the United Kingdom amounting to £1,330.2m (2004: £1,295.9m) and within Continental Europe amounting to £298.1m (2004: £270.9m).

The Group operating profit is all derived from continuing operations.

	2005 £m	2004 £m
Profit on ordinary activities before taxation is arrived at after charging/(crediting):		
Staff costs (see note 24)	239.3	221.0
Inventories		
- cost of inventories recognised as an expense (included in direct purchase cost)	1,149.6	1,127.5
- write downs and losses incurred in the year	6.3	3.9
Amortisation of intangibles - customer lists (included in administrative expenses)	0.8	0.1
Amortisation of intangibles - computer software (included in administrative expenses)	3.1	3.1
Goodwill impairment (included in administrative expenses)	0.7	0.7
Depreciation of property, plant and equipment		
- owned assets	18.1	16.7
- assets held under finance leases	5.8	2.8
Profit on sale of property, plant and equipment	(3.0)	(1.9)
Loss on disposal of intangible assets	0.2	-
Other operating lease rentals payable		
- plant and machinery	12.7	12.3
- property	8.6	6.4
Repairs and maintenance expenditure on property, plant and equipment		
Trade receivables impairment	3.8	3.5
Auditors' remuneration - statutory audit services	0.5	0.5
Auditors' remuneration - further assurance services	0.2	0.1
Auditors' remuneration - tax compliance services	0.2	0.2
Auditors' remuneration - other services	0.5	0.3
Exceptional items:		
- restructuring of the UK distribution network	6.1	10.7
- other restructuring costs	8.6	0.6
	14.7	11.3
- Broadline IT infrastructure impairment	27.0	-
- Impairment of goodwill, intangible and other assets	13.5	-
	40.5	-
Total exceptional items	55.2	11.3

Notes to the financial statements

1. Revenue and operating profit (continued)

Exceptional items

Restructuring costs of the UK distribution network

Following the acquisition of Peter's Foodservice in 2004, restructuring has taken place in the UK in order to integrate the acquired business with the existing UK distribution network. There are two categories within this:

- Closure of acquired depots:

These restructuring costs relate to redundancy payments and exceptional operating costs incurred during the period prior to closure. These amounted to £3.1m for the year ended 31 December 2005 (2004: £5.2m).

- Integration of acquired business into existing distribution network:

These costs include recruitment and training of additional staff within the distribution network, and other exceptional operating costs incurred during the integration period. These amounted to £3.0m for the year ended 31 December 2005 (2004: £5.5m).

Other restructuring costs

Other restructuring costs primarily include redundancy costs and external costs incurred following the UK programme initiated and completed during the year. In respect of redundancy costs, where staff have been notified of their redundancy, a full accrual is made for their redundancy costs from the date of notification, and these costs are classified as exceptional items.

Impairments

During the year a review of our investment in the Broadline IT infrastructure was completed, included within intangible assets and property, plant and equipment. Following this review, certain IT infrastructure became redundant and this has led to an exceptional impairment loss of £27.0m. The remaining recoverable amount has been determined by reference to the current market values of the assets concerned.

In addition, the Group has reviewed the carrying value of certain cash generating units. This has led to an impairment in the carrying value of the goodwill, intangible and other assets amounting to an aggregate impairment loss of £13.5m included within exceptional items. The impairment losses arose following a reduction in expected future cash flows determined in carrying out impairment reviews.

Auditors

The auditors' remuneration in respect of statutory audit services to the Company amounted to £289,000 (2004: £237,000).

In addition to the above services, the Group's auditors acted as auditors to the Brake Bros plc Pension Scheme and the Brake Bros plc Money Purchase Pension Plan. The appointment of auditors to these schemes and the fees paid are agreed by the trustees of each scheme who act independently to the management of the Group. The aggregate fees charged were £22,750 (2004: £26,870).

2. Finance costs - net

	2005 £m	2004 £m
Interest expense:		
Loan from parent undertaking	(8.6)	(7.7)
Bank loans	(0.5)	-
Other loans and charges	(0.3)	(1.3)
Finance leases	(1.9)	(1.3)
Preference dividend paid	(1.4)	-
Interest on pension scheme liabilities	(6.7)	(6.2)
Group interest and similar charges payable	(19.4)	(16.5)
Interest income:		
Banks	1.0	0.7
Expected return on pension scheme assets	6.0	5.5
Total interest receivable	7.0	6.2
Finance costs - net	(12.4)	(10.3)
 The above includes interest and similar charges in respect of borrowings wholly repayable within five years	 10.0	 9.6

A subsidiary undertaking, has declared and paid preference dividends of £1.4m to Brake Bros Holding I Limited. The dividend relates to redeemable preference shares issued to the ultimate parent undertaking Brake Bros Holding I Limited by a subsidiary undertaking with an aggregate nominal value of £100. These shares are redeemable at par at any time by the subsidiary undertaking or by Brake Bros Holding I Limited after 16 February 2009. The redeemable preference shares are not entitled to participate in a surplus on winding up, carry limited voting rights and carry no rights to participate in the profits of the subsidiary undertaking, except for such dividends as may be proposed by the Directors of the subsidiary undertaking.

In the prior year, dividends in respect of these shares amounting to £2.0m have been classified in the consolidated income statement as non-equity dividends, in accordance with UK GAAP. See also note 29 (i).

Notes to the financial statements

3. Taxation

Taxation is based on the (loss) / profit for the year and comprises:	2005 £m	2004 £m
Current tax		
- Current year group relief	10.2	13.6
- Overseas taxation	0.3	0.7
- Adjustments in respect of previous periods	(3.8)	(1.4)
Deferred taxation (credit) / charge	(12.1)	3.4
	(5.4)	16.3
Analysis of tax on items charged to equity	2005 £m	2004 £m
Deferred tax credit on actuarial losses (see note 17)	2.2	1.7
A reconciliation of the tax charge for the year compared to the standard rate of corporation tax is summarised below:	2005 £m	2004 £m
(Loss) / profit on ordinary activities before tax	(4.6)	46.0
At 30%	(1.4)	13.8
Effects of:		
Adjustments to tax charge in respect of previous periods	(3.8)	(1.4)
Overseas taxation	0.3	0.7
Overseas deferred taxation in respect of previous periods	(4.0)	-
Expenses not deductible for tax purposes and other adjustments	3.5	3.2
Total taxation	(5.4)	16.3

4. Loss of the Parent Company for the financial year

The Company has taken advantage of Section 230 of the Companies Act 1985, and consequently has not presented a profit and loss account. The Company's loss for the financial year amounted to £15.2m (2004: £26.9m profit).

5. Goodwill

	Group £m	Company £m
Cost		
At 1 January 2005	112.2	16.1
Exchange adjustment	(0.9)	-
As at 31 December 2005	111.3	16.1
Aggregate impairment		
At 1 January 2005	0.7	-
Impairment for the year	9.2	-
As at 31 December 2005	9.9	-
Net book value at 31 December 2005	101.4	16.1

5. Goodwill (continued)

	Group £m	Company £m
Cost		
At 1 January 2004	112.4	16.1
Exchange adjustment	(0.2)	-
As at 31 December 2004	112.2	16.1
Aggregate impairment		
At 1 January 2004	-	-
Impairment loss recognised	0.7	-
As at 31 December 2004	0.7	-
Net book value at 31 December 2004	111.5	16.1

The goodwill has been allocated to cash-generating units and a summary of the carrying amounts of goodwill by business segments (representing groups of cash generating units) at 31 December 2005, is as follows:

	Broadline £m	Country Choice £m	M&J Seafood £m	Total £m
United Kingdom	19.3	26.6	37.2	83.1
Continental Europe	18.3	-	-	18.3
	37.6	26.6	37.2	101.4

Impairment reviews

An overview of impairment reviews performed is set out below. All of the recoverable amounts were measured based on value in use.

The key assumptions in the value in use calculations were:

- Budgeted revenue growth. This was based on expected levels of activity under existing major contractual arrangements together with growth based upon historical rates and having regard for expected economic and market conditions for other customers.
- Budgeted operating cost growth. This assumption was based upon management's expectation for each significant product line, having regard for contractual arrangements and expected changes in market conditions.
- The relative risk adjustment (or 'beta') applied discount rates to reflect the risk inherent in foodservice companies. In determining the risk adjusted discount rate, management have applied an adjustment for risk of such companies relative to all other sectors on average determined using the betas of comparable foodservice companies.

The forecasts are based on the approved budget for 2006. Subsequent cash flows have been increased in line with historic local territory GDP. The cash flows were discounted using a pre-tax discount rate of 10.1%. As indicated below, certain cash generating units in the Broadline and M&J Seafood business segments have a carrying value equal to the value in use. Whilst these cash generating unit's value in use are sensitive to the assumptions noted above, it is not considered material to the business segments as a whole.

During the year ended 31 December 2005, an impairment review of W.Pauley & Co Limited, a subsidiary company which is a cash generating unit within the Broadline business segment identified that an impairment loss of £8.5m had arisen during the year. The impairment loss (included within exceptional items) was due to a lower than expected utilisation of assets due to restructuring and the loss of certain contracts. The recoverable amount for the cash generating unit has been measured based on a value in use calculation. A pre-tax discount rate of 10.1% was used in the value in use calculation. In addition an impairment loss of £0.7m (2004: £0.7m) has been recognised in the M&J Seafood business segment. This relates to a separately identifiable customer list, which is included within the previous UK GAAP goodwill balance, which has been taken as deemed cost on transition to IFRS. The impairment loss reflects the consumption of benefits relating to this asset. A pre-tax discount rate of 10.1% was used in the value in use calculation.

Notes to the financial statements

6. Intangible assets

Group	Computer software £m	Customer lists £m	Total £m
Cost			
At 1 January 2005	37.1	3.8	40.9
Exchange adjustment	(0.3)	–	(0.3)
Acquisitions (see note 23)	–	0.2	0.2
Additions - internally generated	12.3	–	12.3
Disposals	(21.7)	–	(21.7)
As at 31 December 2005	27.4	4.0	31.4
Amortisation and impairment losses			
At 1 January 2005	16.8	0.1	16.9
Exchange adjustment	(0.2)	–	(0.2)
Charge for the year	3.1	0.8	3.9
Impairment losses recognised (see note 1)	22.2	1.8	24.0
Disposals	(21.5)	–	(21.5)
As at 31 December 2005	20.4	2.7	23.1
Net book value at 31 December 2005	7.0	1.3	8.3

Group	Computer software £m	Customer lists £m	Total £m
Cost			
At 1 January 2004	22.8	–	22.8
Exchange adjustment	0.1	–	0.1
Acquisitions (see note 23)	–	3.8	3.8
Additions - internally generated	14.3	–	14.3
Disposals	(0.1)	–	(0.1)
At 31 December 2004	37.1	3.8	40.9
Amortisation			
At 1 January 2004	13.7	–	13.7
Exchange adjustment	0.1	–	0.1
Charge for the year	3.1	0.1	3.2
Disposals	(0.1)	–	(0.1)
At 31 December 2004	16.8	0.1	16.9
Net book value at 31 December 2004	20.3	3.7	24.0

6. Intangible assets (continued)

Company	Computer software £m	Customer lists £m	Total £m
Cost			
At 1 January 2005	27.9	1.5	29.4
Additions - internally generated	11.1	–	11.1
Disposals	(20.8)	–	(20.8)
As at 31 December 2005	18.2	1.5	19.7
Amortisation and impairment losses			
At 1 January 2005	11.7	0.1	11.8
Charge for the year	1.3	0.3	1.6
Impairment losses recognised (see note 1)	22.2	–	22.2
Disposals	(20.6)	–	(20.6)
As at 31 December 2005	14.6	0.4	15.0
Net book value at 31 December 2005	3.6	1.1	4.7

Company	Computer software £m	Customer lists £m	Total £m
Cost			
At 1 January 2004	15.5	–	15.5
Acquisitions (see note 23)	–	1.5	1.5
Additions - internally generated	12.5	–	12.5
Disposals	(0.1)	–	(0.1)
At 31 December 2004	27.9	1.5	29.4
Amortisation			
At 1 January 2004	10.4	–	10.4
Charge for the year	1.4	0.1	1.5
Disposals	(0.1)	–	(0.1)
At 31 December 2004	11.7	0.1	11.8
Net book value at 31 December 2004	16.2	1.4	17.6

The following useful lives have been determined for the intangible assets acquired during the year:

Computer software	between 3 and 5 years
Customer lists	5 years

The computer software capitalised primarily relates to IT infrastructure which has been impaired in the year (see note 1).

Notes to the financial statements

7. Property, plant and equipment

Group	Land and buildings £m	Motor vehicles £m	Plant and equipment £m	Information technology £m	Total £m
Cost					
At 1 January 2005	133.8	72.8	103.8	28.3	338.7
Exchange adjustments	(1.4)	(0.3)	(0.3)	(0.2)	(2.2)
Additions	2.6	20.3	10.8	4.4	38.1
Disposals	(5.1)	(4.2)	(9.7)	(2.2)	(21.2)
As at 31 December 2005	129.9	88.6	104.6	30.3	353.4
Depreciation and impairment losses					
At 1 January 2005	53.4	41.0	65.9	14.8	175.1
Exchange adjustments	(0.6)	(0.2)	(0.3)	–	(1.1)
Charge for the year	3.7	9.1	7.6	3.5	23.9
Impairment losses recognised (see note 1)	–	–	1.1	4.7	5.8
Disposals	(1.6)	(4.0)	(9.0)	(2.1)	(16.7)
As at 31 December 2005	54.9	45.9	65.3	20.9	187.0
Net book value at 31 December 2005	75.0	42.7	39.3	9.4	166.4

Group	Land and buildings £m	Motor vehicles £m	Plant and equipment £m	Information technology £m	Total £m
Cost					
At 1 January 2004	134.9	78.5	96.6	19.4	329.4
Exchange adjustments	0.4	–	–	–	0.4
Acquisition of businesses (see note 23)	–	0.8	1.0	0.1	1.9
Additions	5.5	1.2	17.6	9.9	34.2
Reclassification	3.4	–	(2.8)	(0.6)	–
Disposals	(10.4)	(7.7)	(8.6)	(0.5)	(27.2)
As at 31 December 2004	133.8	72.8	103.8	28.3	338.7
Depreciation					
At 1 January 2004	49.9	40.2	69.9	12.8	172.8
Exchange adjustments	0.3	–	–	–	0.3
Acquisition of businesses (see note 23)	–	–	0.2	–	0.2
Charge for the year	3.3	7.7	5.8	2.7	19.5
Reclassification	2.5	–	(2.2)	(0.3)	–
Disposals	(2.6)	(6.9)	(7.8)	(0.4)	(17.7)
As at 31 December 2004	53.4	41.0	65.9	14.8	175.1
Net book value at 31 December 2004	80.4	31.8	37.9	13.5	163.6

7. Property, plant and equipment (continued)

Land and buildings comprise:

	2005 £m	2004 £m
Cost		
Freehold	116.2	122.2
Long leasehold	10.0	10.0
Short leasehold	3.7	1.6
	129.9	133.8
Depreciation		
Freehold	50.9	49.7
Long leasehold	2.8	2.6
Short leasehold	1.2	1.1
	54.9	53.4
Assets held under finance leases have the following net book amount:	2005 £m	2004 £m
Cost	60.2	42.6
Aggregate depreciation	(21.0)	(15.2)
Net book amount	39.2	27.4
Land and buildings	7.1	7.5
Motor vehicles	29.2	16.2
Plant and equipment	0.8	0.8
Information technology	2.1	2.9
Net book amount	39.2	27.4

In accordance with IFRS 1 ('First time adoption of International Financial Reporting Standards') and IAS 17 ('Leases') the Group has reviewed the classification of all leases. Certain leases were identified, which were classified as operating leases for motor vehicles under UK GAAP, which under IFRS require reclassification as finance leases. As a consequence, previously reported operating lease expenses of £0.1m in 2004 were reclassified as depreciation. In addition, the reclassification of operating leases to finance leases resulted in the recognition of motor vehicles with a net book value of £0.7m at 31 December 2004. At the same date a finance lease liability of £0.7m was recognised. There was no effect at 1 January 2004.

Company	Land and buildings £m	Motor vehicles £m	Plant and equipment £m	Information technology £m	Total £m
Cost					
At 1 January 2005	85.9	56.1	77.9	21.5	241.4
Transfer from group undertaking	–	2.1	–	–	2.1
Additions	1.3	19.7	5.5	3.3	29.8
Reclassification	5.5	–	0.1	–	5.6
Disposals	(7.0)	(1.9)	(6.3)	(1.1)	(16.3)
As at 31 December 2005	85.7	76.0	77.2	23.7	262.6
Depreciation and impairment losses					
At 1 January 2005	31.9	30.0	49.5	10.3	121.7
Transfer from group undertaking	–	1.6	–	–	1.6
Charge for the year	1.2	7.6	4.4	2.4	15.6
Impairment losses recognised (see note 1)	–	–	–	4.7	4.7
Reclassification	5.3	–	0.3	–	5.6
Disposals	(3.8)	(1.9)	(6.2)	(1.1)	(13.0)
As at 31 December 2005	34.6	37.3	48.0	16.3	136.2
Net book value at 31 December 2005	51.1	38.7	29.2	7.4	126.4

Notes to the financial statements

7. Property, plant and equipment (continued)

Company	Land and buildings £m	Motor vehicles £m	Plant and equipment £m	Information technology £m	Total £m
Cost					
At 1 January 2004	88.6	62.8	71.0	12.6	235.0
Acquisition of businesses (see note 23)	–	0.7	0.6	0.1	1.4
Additions	4.9	0.2	13.4	9.2	27.7
Reclassification	0.5	(2.7)	(0.7)	(0.3)	(3.2)
Disposals	(8.1)	(4.9)	(6.4)	(0.1)	(19.5)
As at 31 December 2004	85.9	56.1	77.9	21.5	241.4
Depreciation					
At 1 January 2004	31.8	31.1	52.5	8.7	124.1
Charge for the year	1.2	5.9	3.3	1.7	12.1
Reclassification	–	(2.7)	(0.5)	–	(3.2)
Disposals	(1.1)	(4.3)	(5.8)	(0.1)	(11.3)
As at 31 December 2004	31.9	30.0	49.5	10.3	121.7
Net book value at 31 December 2004	54.0	26.1	28.4	11.2	119.7

Land and buildings comprise:

	2005 £m	2004 £m
Cost		
Freehold	72.1	74.5
Long leasehold	10.0	10.0
Short leasehold	3.6	1.4
	85.7	85.9
Depreciation		
Freehold	30.7	28.4
Long leasehold	2.8	2.6
Short leasehold	1.1	0.9
	34.6	31.9

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

	2005 £m	2004 £m
Cost	46.4	29.3
Aggregate depreciation	(16.1)	(11.5)
Net book amount	30.3	17.8
Motor vehicles	28.4	15.4
Plant and equipment	0.8	0.6
Information technology	1.1	1.8
Net book amount	30.3	17.8

8. Investments

Company	At cost £m	Investments in subsidiary undertakings (equity)	
		Provision £m	Net book value £m
At 1 January 2005	229.5	(10.4)	219.1
Additional investment in subsidiary undertaking	0.4	–	0.4
Disposals	(0.4)	–	(0.4)
Impairment in the year	–	(14.7)	(14.7)
At 31 December 2005	229.5	(25.1)	204.4

Company	£m	£m	£m
At 1 January 2004	227.2	(22.9)	204.3
Acquisition of businesses	1.3	–	1.3
Additional investment in subsidiary undertaking	13.1	–	13.1
Dormant subsidiary undertakings investments written off by intercompany loan waivers	(12.1)	10.8	(1.3)
Credit for the year	–	1.7	1.7
At 31 December 2004	229.5	(10.4)	219.1

The principal trading subsidiary undertakings are Brake Bros Foodservice Limited, M&J Seafood Limited, W.Pauley & Co Limited, Wild Harvest Limited and Brake France Service SAS and are involved in the supply of frozen, chilled and ambient foods as well as catering supplies and equipment to the catering industry. All subsidiary undertakings are wholly owned, with the exception of Carigel SA, a 97% (2004: 87%) owned subsidiary undertaking of Brake France Service SAS. Brake Bros Foodservice Limited, M&J Seafood Limited, Wild Harvest Limited and W.Pauley & Co Limited are registered in England and Wales and operate in the UK; Brake France Service SAS operates in Continental Europe and is incorporated in France.

During the year the carrying value of the investments have been reviewed, in conjunction with the impairment reviews carried out on goodwill (see note 5), and where impairment losses have arisen, a provision against the investment has been made.

9. Inventories

	Group		Company	
	2005 £m	2004 £m	2005 £m	2004 £m
Raw materials and consumables - cost	1.4	1.1	1.1	0.8
Finished goods and goods for resale - cost	51.4	57.2	32.8	37.3
	52.8	58.3	33.9	38.1

10. Trade and other receivables

	Group		Company	
	2005 £m	2004 £m	2005 £m	2004 £m
Trade receivables	19.8	153.7	–	95.6
Trade receivables – factored	127.5	–	–	–
Less provision for impairment of receivables	(7.1)	(9.2)	–	(3.9)
Trade receivables – net	140.2	144.5	–	91.7
Amounts owed by Group undertakings	–	–	14.0	1.1
Loans owed by Group undertakings	67.4	46.9	67.4	46.9
Other debtors	3.3	4.5	0.2	0.9
Prepayments	3.7	3.2	2.7	2.1
	214.6	199.1	84.3	142.7

During the year, the Company and certain of its subsidiary undertakings has sold trade receivables to a special purpose group entity, Brake Bros Receivables Limited. This company is a fellow subsidiary of Brake Bros Holding I Limited. In accordance with SIC - 12 ("Consolidation - Special Purpose Entities"), Brake Bros Receivables Limited is included within the consolidated results of the Group. Brake Bros Receivables Limited has entered into a with recourse factoring arrangement with a bank and these receivables are separately disclosed in the note above. This arrangement has led to a one off increase in the Company's cash generated from operations (see note 22 (a)).

Concentrations of credit risk with respect to trade receivables are limited due to the Group's customer base being large and unrelated. Due to this, management believe there is no further credit risk provision required in excess of normal provision for doubtful receivables.

Notes to the financial statements

11. Cash and cash equivalents

	Group		Company	
	2005 £m	2004 £m	2005 £m	2004 £m
Cash at bank and in hand	35.3	18.7	21.9	10.9
Short term bank deposits	42.9	82.4	42.9	82.4
	78.2	101.1	64.8	93.3

The effective interest rate on short term deposits was 4.06 % (2004: 4.61 %) and these deposits have an average maturity of 1 day (2004: 1 day).

12. Trade and other payables - current

	Group		Company	
	2005 £m	2004 £m	2005 £m	2004 £m
Trade payables	201.9	212.3	165.0	152.3
Amounts owed to Group undertakings	39.4	34.4	65.5	50.7
Other taxes and social security	11.2	11.1	5.2	5.4
Other creditors	14.4	12.8	7.2	7.2
Accruals	23.1	31.4	19.3	27.4
	290.0	302.0	262.2	243.0

13. Current tax liabilities

	Group		Company	
	2005 £m	2004 £m	2005 £m	2004 £m
Corporation tax	5.3	1.3	4.8	1.3

14. Financial liabilities - borrowings

Current	Group		Company	
	2005 £m	2004 £m	2005 £m	2004 £m
Loan notes	0.6	0.7	0.6	0.7
Loans owed to parent undertakings	46.2	168.4	46.2	168.4
Bank loans	0.5	–	–	–
Finance lease obligations	7.9	6.7	6.9	5.7
Bills of exchange	0.5	–	–	–
	55.7	175.8	53.7	174.8

Non-current	Group		Company	
	2005 £m	2004 £m	2005 £m	2004 £m
Loan notes	0.6	0.7	0.6	0.7
Loans owed to parent undertakings	46.2	168.4	46.2	168.4
Bank loans	100.5	–	–	–
Debt issue costs	(0.9)	–	–	–
Finance lease obligations	32.5	22.9	28.1	18.4
Bills of exchange	0.5	–	–	–
	179.4	192.0	74.9	187.5
Less amounts falling due within one year	(55.7)	(175.8)	(53.7)	(174.8)
	123.7	16.2	21.2	12.7

The loan notes are guaranteed by banks. Certain bank loans are secured by way of a fixed and floating charge over the assets of the Group and other bank loans have been obtained pursuant to a debt factoring arrangement (see note 10).

The maturity of borrowings is set out in note 15 (b). The exposure of the Group to interest rate changes is as follows:

	2005 £m	2004 £m
Borrowings at floating interest rates	159.9	186.8
Fixed rate borrowings maturing:		
- within one year	5.2	2.0
- one to five years	12.3	3.2
- over five years	2.0	–
	179.4	192.0

The effective interest rates at the balance sheet dates were as follows:

	2005 %	2004 %
Bank loans	5.3%	–
Loan notes	5.4%	5.4%
Finance lease obligations	6.5%	8.3%

Notes to the financial statements

15. Financial instruments

15 (a) Financial instruments - narrative disclosures

Disclosures in respect of the Group's financial risks are set out below. Additional disclosures are set out in the accounting policies and numerical disclosures in respect of financial instruments are set out in note 15 (b).

Financial risk management

Financial risk factors

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

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

(i) Foreign exchange risk

The Group has operations in the UK and Continental Europe (all within the Eurozone). The Group is exposed to foreign exchange risks primarily with respect to the Euro.

(ii) Interest rate risk

The Group has both interest bearing assets and interest bearing liabilities. The Group maintains assets and liabilities at both fixed and floating rates of interest to generate the desired interest profile and manage the Group's exposure to interest rate fluctuations.

(iii) Credit risk

The Group has no significant concentrations of credit risk. The Group has implemented policies that require appropriate credit checks on potential customers before sales commence.

(iv) Liquidity risk

The Group actively maintains a mixture of long-term and short-term facilities, including amounts funded from group undertakings that are designed to ensure the Group has sufficient available funds for operations and planned expansions.

The Group has no derivative financial instruments and has not entered into any hedging arrangements.

15 (b). Financial instruments – numerical disclosures

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

Fair values of non-derivative financial assets and liabilities

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

Fair value of borrowings

Group	2005		2004	
	Book value £m	Fair value £m	Book value £m	Fair value £m
Primary financial instruments held or issued to finance the Group's operations:				
Short term financial liabilities and current portion of long term borrowings	(55.7)	(55.7)	(175.8)	(175.8)
Other long term borrowings	(124.6)	(124.6)	(16.2)	(16.2)
Trade and other payables	(290.0)	(290.0)	(302.0)	(302.0)
Trade and other receivables	210.9	210.9	195.9	195.9
Cash and cash equivalents	78.2	78.2	101.1	101.1
Pension scheme liabilities	(49.8)	(49.8)	(44.0)	(44.0)

Company	2005		2004	
	Book value £m	Fair value £m	Book value £m	Fair value £m
Primary financial instruments held or issued to finance the Company's operations:				
Short term financial liabilities and current portion of long term borrowings	(53.7)	(53.7)	(174.8)	(174.8)
Other long term borrowings	(21.2)	(21.2)	(12.7)	(12.7)
Trade and other payables	(262.2)	(262.2)	(243.0)	(243.0)
Trade and other receivables	81.6	81.6	140.6	140.6
Cash and cash equivalents	64.8	64.8	93.3	93.3
Pension scheme liabilities	(48.1)	(48.1)	(42.5)	(42.5)

Notes to the financial statements

15 (b). Financial instruments – numerical disclosures (continued)

Maturity of non-current financial liabilities

Group	Debt £m	Finance leases £m	2005 Total £m
Between one and two years	–	7.5	7.5
Between two and five years	–	14.3	14.3
More than five years	99.1	2.8	101.9
	99.1	24.6	123.7

Group	2004 Finance leases £m
Between one and two years	4.7
Between two and five years	9.4
More than five years	2.1
	16.2

Company	2005 Finance leases £m	2004 Finance leases £m
Between one and two years	6.5	3.5
Between two and five years	12.5	8.1
More than five years	2.2	1.1
	21.2	12.7

Borrowing facilities

The Group has no committed borrowing facilities available at 31 December 2005 (2004: £nil).

The minimum lease payments under finance leases fall due as follows:

	Group		Company	
	2005 £m	2004 £m	2005 £m	2004 £m
Not later than one year	10.1	7.8	8.8	6.4
Later than one year but not more than five	24.5	15.8	21.6	13.0
More than five years	3.1	2.3	2.3	1.2
	37.7	25.9	32.7	20.6
Future finance charges on finance leases	(5.2)	(3.0)	(4.6)	(2.2)
Present value of finance lease liabilities	32.5	22.9	28.1	18.4

16. Pension liabilities

	Group		Company	
	2005 £m	2004 £m	2005 £m	2004 £m
Pension liability				
At 1 January	44.0	38.1	42.5	36.9
Interest on obligation	6.7	6.2	6.6	6.2
Expected return on scheme assets	(6.0)	(5.5)	(6.0)	(5.5)
Contributions paid in the year	(2.1)	(1.0)	(2.1)	(1.0)
Actuarial losses recognised in equity	7.2	6.2	7.1	5.9
At 31 December	49.8	44.0	48.1	42.5

17. Deferred tax

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

	Group		Company	
	2005 £m	2004 £m	2005 £m	2004 £m
Deferred taxation				
At 1 January	8.2	10.6	9.0	10.0
Acquisition of businesses (see note 23)	–	(0.7)	–	–
Tax credit on actuarial loss taken directly to equity	2.2	1.7	2.2	1.7
Credit / (charge) for the year	12.1	(3.4)	5.5	(2.7)
At 31 December	22.5	8.2	16.7	9.0

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

Group	Other £m
Deferred tax liabilities	
At 1 January 2005	(0.7)
Credit for the year	0.7
At 31 December 2005	–

Group	Pension liabilities £m	Tax losses £m	Other temporary differences £m	Total £m
Deferred tax assets				
At 1 January 2005	12.6	–	(3.7)	8.9
Tax credit on actuarial loss taken directly to equity	2.2	–	–	2.2
Credit / (charge) for the year	(0.5)	4.0	7.9	11.4
At 31 December 2005	14.3	4.0	4.2	22.5

Net deferred tax asset as at 31 December 2005 **22.5**

Net deferred tax asset as at 31 December 2004 **8.2**

Notes to the financial statements

17. Deferred tax (continued)

Company	Pension liabilities £m	Other temporary differences £m	Total £m
Deferred tax assets			
At 1 January 2005	12.6	(3.6)	9.0
Tax credit on actuarial loss taken directly to equity	2.2	–	2.2
Credit / (charge) for the year	(0.5)	6.0	5.5
At 31 December 2005	14.3	2.4	16.7
Deferred tax asset as at 31 December 2005			16.7
Deferred tax asset as at 31 December 2004			9.0

All of the deferred tax assets were available for offset against deferred tax liabilities and hence the net Group deferred tax asset at 31 December 2005 was £22.5m (2004: £8.2m).

Deferred tax assets have been recognised in respect of tax losses and on temporary differences giving rise to deferred tax assets, to the extent that it is considered probable that these assets will be recovered. The net Group deferred tax asset expected to be recovered after more than one year is £21.2m (2004: £8.2m). There are unrecognised deferred tax assets of £10.8m (2004: £10.9m) in respect of unutilised tax losses in Continental Europe. The deferred tax credited to equity during the year is £2.2m (2004: £1.7m).

18. Called up share capital

	2005 £m	2004 £m
Authorised 58,000,000 (2004: 58,000,000) ordinary shares of 10p	5.8	5.8
Issued and fully paid		
Ordinary shares paid of 10p each	£m	£m
At 31 December	53,776,540	5.4

19. Share based payments

The Company's ultimate parent company, Brake Bros Holding I Limited, operates a Management Equity plan, whereby certain employees of the Group are entitled to subscribe for shares in Brake Bros Holding I Limited. To the extent that such shares are purchased by employees below fair value, a charge calculated in accordance with IFRS 2 ('Share based payments') is included within staff costs in the income statement. This charge amounted to £85,000 (2004: £98,000).

20. Reserves

Group	Retained earnings £m	Other reserves £m	Total £m
At 1 January 2005	88.8	1.0	89.8
Pension actuarial loss	(7.2)	-	(7.2)
Deferred tax on pension actuarial loss	2.2	-	2.2
Currency translation differences	-	(1.9)	(1.9)
Share awards - value of employee services	0.1	-	0.1
Reclassification of share awards - value of employee services	0.7	(0.7)	-
Profit for the year	0.9	-	0.9
At 31 December 2005	85.5	(1.6)	83.9

Group	Retained earnings £m	Other reserves £m	Total £m
At 1 January 2004	66.0	0.7	66.7
Pension actuarial loss	(6.2)	-	(6.2)
Deferred tax on pension actuarial loss	1.7	-	1.7
Currency translation differences	-	0.3	0.3
Profit for the year	27.3	-	27.3
At 31 December 2004	88.8	1.0	89.8

Included within other reserves are cumulative exchange losses of £1.6m (2004: £0.3m gain). As set out in accounting policies, the Group has elected to use the IFRS 1 exemption to reset foreign currency cumulative translation differences on foreign operations to zero on transition to IFRS.

Company	Retained earnings £m	Other reserves £m	Total £m
At 1 January 2005	133.7	11.4	145.1
Loss for the year	(15.2)	-	(15.2)
Pension actuarial loss	(7.1)	-	(7.1)
Deferred tax on pension actuarial loss	2.2	-	2.2
Share awards - value of employee services	0.1	-	0.1
Reclassification of share awards - value of employee services	0.7	(0.7)	-
At 31 December 2005	114.4	10.7	125.1

Company	Retained earnings £m	Other reserves £m	Total £m
At 1 January 2004	111.0	11.6	122.6
Currency translation differences	-	(0.2)	(0.2)
Profit for the year	26.9	-	26.9
Pension actuarial loss	(5.9)	-	(5.9)
Deferred tax on pension actuarial loss	1.7	-	1.7
At 31 December 2004	133.7	11.4	145.1

Included within other reserves are cumulative exchange losses of £0.2m (2004: £0.2m). As set out in accounting policies, the Company has elected to use the IFRS 1 exemption to reset foreign currency cumulative translation differences on foreign operations to zero on transition to IFRS.

Notes to the financial statements

21. Statement of changes in shareholders' equity

Group	Note	Share capital £m	Share premium account £m	Retained earnings £m	Other reserves £m	Total shareholders' equity £m	Minority interests £m	Total equity £m
At 1 January 2005		5.4	30.8	88.8	1.0	126.0	1.7	127.7
Exchange adjustments		-	-	-	-	-	(0.1)	(0.1)
Acquisitions	23	-	-	-	-	-	(1.2)	(1.2)
Currency translation differences		-	-	-	(1.9)	(1.9)	-	(1.9)
Profit for the year	20	-	-	0.9	-	0.9	-	0.9
Loss attributable to minority interests		-	-	-	-	-	(0.1)	(0.1)
Pension actuarial loss	16	-	-	(7.2)	-	(7.2)	-	(7.2)
Deferred tax on pension actuarial loss	17	-	-	2.2	-	2.2	-	2.2
Share awards - value of employee services	19	-	-	0.1	-	0.1	-	0.1
Reclassification of share awards - value of employee services		-	-	0.7	(0.7)	-	-	-
At 31 December 2005		5.4	30.8	85.5	(1.6)	120.1	0.3	120.4

Group	Note	Share capital £m	Share premium account £m	Retained earnings £m	Other reserves £m	Total £m	Minority interests £m	Total equity £m
At 1 January 2004		5.4	30.8	66.0	0.7	102.9	2.9	105.8
Acquisitions	23	-	-	-	-	-	(1.6)	(1.6)
Currency translation differences		-	-	-	0.3	0.3	-	0.3
Profit for the year	20	-	-	27.3	-	27.3	-	27.3
Profit attributable to minority interests		-	-	-	-	-	0.4	0.4
Pension actuarial loss	16	-	-	(6.2)	-	(6.2)	-	(6.2)
Deferred tax on pension actuarial loss	17	-	-	1.7	-	1.7	-	1.7
At 31 December 2004		5.4	30.8	88.8	1.0	126.0	1.7	127.7

Company	Note	Share capital £m	Share premium account £m	Other reserves £m	Retained earnings £m	Total shareholders' equity £m
At 1 January 2005		5.4	30.8	11.4	133.7	181.3
Loss for the year	20	-	-	-	(15.2)	(15.2)
Pension actuarial loss	16	-	-	-	(7.1)	(7.1)
Deferred tax on pension actuarial loss	17	-	-	-	2.2	2.2
Share awards - value of employee services	19	-	-	-	0.1	0.1
Reclassification of share awards - value of employee services		-	-	(0.7)	0.7	-
At 31 December 2005		5.4	30.8	10.7	114.4	161.3

Company	Note	Share capital £m	Share premium account £m	Other reserves £m	Retained earnings £m	Total shareholders' equity £m
At 1 January 2004		5.4	30.8	11.6	111.0	158.8
Currency translation differences		-	-	(0.2)	-	(0.2)
Profit for the year	20	-	-	-	26.9	26.9
Pension actuarial loss	16	-	-	-	(5.9)	(5.9)
Deferred tax on pension actuarial loss	17	-	-	-	1.7	1.7
At 31 December 2004		5.4	30.8	11.4	133.7	181.3

22. Cash flow from operating activities

(a) Reconciliation of net profit / (loss) to net cash inflow from operating activities

	Group		Company	
	2005 £m	2004 £m	2005 £m	2004 £m
Net profit / (loss)	0.8	27.7	(15.2)	26.9
Adjustments for:				
- Tax	(5.4)	16.3	(2.2)	11.9
- Interest income	(7.0)	(6.2)	(7.0)	(7.0)
- Interest expense	19.4	16.5	16.9	16.1
- Non-equity dividends	-	2.0	-	-
Impairment losses recognised	41.2	0.7	44.5	(1.7)
Depreciation charges	23.9	19.5	15.6	12.1
Amortisation of intangibles	3.9	3.2	1.6	1.5
Pension liabilities paid	(2.1)	(1.0)	(2.1)	(1.0)
Profit on sale property, plant and equipment	(3.0)	(1.9)	(3.3)	(1.1)
Loss on disposal of intangible assets	0.2	-	0.2	-
Decrease in inventories	5.1	1.6	4.2	1.2
Decrease in trade and other receivables	3.9	19.8	91.8	12.9
(Decrease) / increase in trade and other payables	(15.0)	7.2	2.6	32.7
Cash generated from operations	65.9	105.4	147.6	104.5

(b) Exceptional items

Cash flows relating to operating exceptional items

Cash generated from Group operations includes £17.4m (2004: £14.0m) of cash outflows in respect of exceptional items.

Notes to the financial statements

23. Acquisitions

During the year ended 31 December 2004 the Group acquired, in the United Kingdom, Peter's Foodservice business on 17 September 2004 and 100% of the equity voting rights of Wild Harvest Limited on 4 November 2004. In Continental Europe, the Group acquired further shareholdings in Carigel SA.

The table below sets out the Group's assessment of the fair values of the assets and liabilities of the acquisitions setting out the adjustments which have been made to the provisional fair values reported in 2004.

The fair value adjustments have been made following a review of the carrying values of fixed assets and other assets, and further adjustments have been made in respect of the transition to IFRS.

	Provisional fair value (UK GAAP) £m	Adjustments in respect of IFRS transition £m	Adjustments to provisional fair values £m	Fair value to the Group £m
Net assets acquired				
Intangible fixed assets - customer lists	–	5.0	(1.2)	3.8
Fixed assets	1.3	–	0.4	1.7
Working capital	0.4	–	0.8	1.2
Cash overdrafts	(0.2)	–	–	(0.2)
Loans and finance leases	(1.7)	–	–	(1.7)
Deferred taxation	–	(0.7)	–	(0.7)
Minority interest	1.6	–	–	1.6
	1.4	4.3	–	5.7

During the year ended 31 December 2005, the Group acquired a further customer list for a cash consideration of £0.2m. In addition the Group acquired further shareholdings in Carigel SA for a cash consideration of £1.2m. Further cash consideration was also paid in respect of prior year acquisitions.

These acquisitions have been accounted for by the acquisition method of accounting. The net outflow of cash in respect of these acquisitions was as follows:

	2005 £m	2004 £m
Cash consideration	2.7	2.6
Cash overdrafts of acquired subsidiary undertakings	–	0.2
	2.7	2.8

24. Employees and Directors' emoluments

Average monthly number of people (including executive directors) employed by the Group and Company during the year	Group		Company	
	2005 Number	2004 Number	2005 Number	2004 Number
Distribution, manufacturing and selling	8,395	7,860	5,625	5,432
Administration	920	1,086	551	879
	9,315	8,946	6,176	6,311

	Group		Company	
	2005 Number	2004 Number	2005 Number	2004 Number
The costs incurred in respect of these employees were:				
Wages and salaries	207.4	190.1	147.4	132.7
Social security costs	29.4	28.0	13.6	12.7
Other pension costs (see note 25)	2.5	2.9	2.1	2.5
	239.3	221.0	163.1	147.9

Key management compensation			
Group		2005 £'000	2004 £'000
Salaries and short-term benefits		2,339	2,946
Post-employment benefits		108	119
Termination benefits		1,198	–
Share based payments		85	98
		3,730	3,163

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

Directors' emoluments		
	2005 £'000	2004 £'000
Aggregate emoluments	332	662
Compensation for loss of office	326	–
Company pension contributions to money purchase schemes	13	10

Retirement benefits are accruing to 1 (2004: 1) director under money purchase pension arrangements.

Emoluments paid to the highest paid director are as follows:

	2005	2004
Aggregate emoluments and benefits	150	429
Company pension contributions to money purchase schemes	–	10

Notes to the financial statements

25. Pension commitments

The Group operates a number of pension schemes for its UK employees; the assets of all schemes being held in separate trustee administered funds. These pension schemes are operated by Brake Bros Limited, the Company.

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

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

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

Pension costs for defined contribution schemes are as follows:

	Group		Company	
	2005 £m	2004 £m	2005 £m	2004 £m
Defined contribution schemes	2.5	2.9	2.1	2.5

Defined benefit plans

The most recent actuarial valuation of The Brake Bros plc Pension Scheme was carried out at 5 April 2004. The principal assumptions made by the actuaries were:

	2005 %	2004 %
Rate of increase in pensionable salaries	—	—
Rate of increase in pensions in payment and deferred pensions - UK	2.8	2.7
Discount rate - UK	5.5	5.3
Discount rate - Continental Europe	4.5	4.5
Inflation assumption - UK	2.8	2.7
Expected return on plan assets - UK	6.7	7.2

25. Pension commitments (continued)

Pensions and other post-retirement obligations (continued)

The amounts recognised in the balance sheet are determined as follows:

	Group		Company	
	2005 £m	2004 £m	2005 £m	2004 £m
Present value of funded obligations	147.4	126.6	147.4	126.6
Present value of unfunded obligations	1.7	1.5	–	–
Fair value of plan assets	(99.3)	(84.1)	(99.3)	(84.1)
Net pension liability recognised in the balance sheet	49.8	44.0	48.1	42.5
Experience gains on plan assets	10.0	3.6	10.0	3.6
Experience losses on scheme liabilities	(17.2)	(9.8)	(17.1)	(9.5)

Analysis of movement in present value of pension obligation:

	Group		Company	
	2005 £m	2004 £m	2005 £m	2004 £m
At 1 January	128.1	114.7	126.6	113.5
Interest cost	6.7	6.2	6.6	6.2
Actuarial losses	17.2	9.8	17.1	9.5
Benefits paid	(2.9)	(2.6)	(2.9)	(2.6)
At 31 December	149.1	128.1	147.4	126.6

	Group		Company	
	2005 £m	2004 £m	2005 £m	2004 £m
Represented by:				
Funded obligations	147.4	126.6	147.4	126.6
Unfunded obligations	1.7	1.5	–	–
	149.1	128.1	147.4	126.6

Analysis of movement in fair value of scheme assets

	Group and Company	
	2005 £m	2004 £m
At 1 January	84.1	76.6
Expected return on plan assets	6.0	5.5
Actuarial gains	10.0	3.6
Contributions paid by employer	2.1	1.0
Benefits paid	(2.9)	(2.6)
At 31 December	99.3	84.1

Notes to the financial statements

25. Pension commitments (continued)

Pensions and other post-retirement obligations (continued)

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

	2005 Long term rate of return expected per annum %	Value £m	2004 Long term rate of return expected per annum %	Value £m
Equities	7.5	68.8	8.0	56.6
Bonds	4.2	23.9	5.0	22.4
Other assets	7.5	6.6	8.0	5.1
	6.7	99.3	7.2	84.1

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

The amounts recognised in the income statement are as follows:

	Group		Company	
	2005 £m	2004 £m	2005 £m	2004 £m
Interest on obligation - included within interest cost	6.7	6.2	6.6	6.2
Expected return on scheme assets - included within interest receivable	(6.0)	(5.5)	(6.0)	(5.5)
Total expense	0.7	0.7	0.6	0.7

Group net actuarial losses of £7.2m (2004: £6.2m) were recognised in the year and included in the statement of recognised income and expense. The cumulative amount of Group actuarial gains and losses recognised in the statement of recognised income and expense since the Group's transition to IFRS amounted to a loss of £13.4m.

Company net actuarial losses of £7.1m (2004: £5.9m) were recognised in the year and included in the statement of recognised income and expense. The cumulative amount of actuarial gains and losses recognised in the statement of recognised income and expense since the Company's transition to IFRS amounted to a loss of £13.0m.

The actual return on plan assets was £16.0m (2004: £9.1m). The Company and Group has agreed to make a cash contribution of £1.7m to the scheme in the year ending 31 December 2006.

26. Commitments

(a) Capital commitments

	Group		Company	
	2005 £m	2004 £m	2005 £m	2004 £m
Contracted for but not provided	0.2	11.3	0.2	11.1

(b) Operating lease commitments

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

	Land and buildings 2005 £m	Other 2005 £m	Land and buildings 2004 £m	Other 2004 £m
Group				
Leases expiring:				
Within one year	0.4	0.9	0.4	1.8
Between two and five years	4.6	11.5	5.4	24.7
After five years	86.3	6.7	89.8	3.4
	91.3	19.1	95.6	29.9

26. Commitments (continued)

Company	Land and buildings 2005 £m	Other 2005 £m	Land and buildings 2004 £m	Other 2004 £m
Leases expiring:				
Within one year	0.3	0.6	0.3	0.2
Between two and five years	3.3	2.1	3.4	17.0
After five years	75.6	–	82.3	–
	79.2	2.7	86.0	17.2

The Company and Group leases various properties and plant and equipment under non-cancellable operating lease agreements. The leases have various terms and renewal rights. The Company and Group has also sub-let certain properties under non-cancellable sublease agreements and the total minimum lease payments expected to be received amounts to £0.2m (2004: £0.3m).

During the year ended 31 December 2005, the Group and Company has entered into certain sale and leaseback arrangements under normal commercial terms in respect of certain land and buildings and motor vehicles. These leases have been classified as either operating leases or finance leases in accordance with IAS 17 ('Leases').

27. Related party transactions

During the year the Company has continued to provide and receive funding to other group companies, and has also entered into certain other transactions with other companies in the Brake Bros Holding I Limited group. Details of transactions are as follows:

	2005 £m	2004 £m
Loan amounts owed by parent undertakings	67.4	46.9
Loan amounts owed to parent undertakings	(46.2)	(168.4)
Other payables owed to parent undertakings	(27.0)	(24.5)
Trade and other receivables owed by subsidiary undertakings	14.0	1.1
Trade and other payables owed to group and subsidiary undertakings	(38.5)	(26.2)
Interest payable to parent undertaking	(8.6)	(7.7)
Interest receivable from subsidiary undertakings	–	0.8
Sales to subsidiary undertakings	6.1	7.4
Purchases from subsidiary undertakings	(30.6)	(17.1)
Purchases of property, plant and equipment from subsidiary undertakings	(0.5)	–

Key management compensation is disclosed in note 24, and acquisitions are disclosed in note 23.

28. Ultimate parent company and controlling party

The immediate parent undertaking and controlling party is Brake Bros Acquisition PLC, a company incorporated in Great Britain.

The ultimate parent undertaking is Brake Bros Holding I Limited, a company incorporated in Great Britain. The ultimate controlling party of the Company is CD&R Fund VI, a fund managed by Clayton, Dubilier & Rice.

The parent undertaking of the smallest group to consolidate these financial statements is Brake Bros Finance PLC and the parent undertaking of the largest group to consolidate these financial statements is Brake Bros Holding I Limited. Copies of Brake Bros Finance PLC and Brake Bros Holding I Limited consolidated financial statements can be obtained from the Company Secretary at Enterprise House, Eureka Business Park, Ashford, Kent, TN25 4AG.

Notes to the financial statements

29. Reconciliation of net assets and profit under UK GAAP to IFRS

Brake Bros Limited reported under UK GAAP in its previously published financial statements for the year ended 31 December 2004. The analysis below shows a reconciliation of net assets and profit as reported under UK GAAP as at 31 December 2004 to the revised net assets and profit under IFRS as reported in these financial statements. In addition there is a reconciliation of net assets under UK GAAP to IFRS at the transition date, being 1 January 2004.

		Group Year ended 31 December 2004 £m	Company Year ended 31 December 2004 £m
Reconciliation of profit for the year	Notes		
Profit for the the year reported under UK GAAP		9.1	13.7
Pensions - net finance cost	c	(0.7)	(0.7)
Pensions - operating costs	c	17.7	17.7
Goodwill amortisation	d	6.5	1.1
Deferred taxation	c, f	(4.9)	(4.9)
Profit for the year reported under IFRS		27.7	26.9

Reconciliation of equity at 1 January 2004 (date of transition to IFRS)

Group	Notes	UK GAAP £m	Effect of transition to IFRS £m	IFRS £m
Goodwill		112.4	–	112.4
Intangible assets	a	–	9.1	9.1
Property, plant and equipment	a	165.7	(9.1)	156.6
Deferred tax assets	c, f	4.3	6.3	10.6
Overseas taxation		1.9	–	1.9
Total non-current assets		284.3	6.3	290.6
Inventories		58.4	–	58.4
Trade and other receivables		170.5	–	170.5
Cash and cash equivalents		59.5	–	59.5
Total current assets		288.4	–	288.4
Total assets		572.7	6.3	579.0
Trade and other payables	g	(276.3)	1.8	(274.5)
Current tax liabilities		(0.9)	–	(0.9)
Financial liabilities - borrowings		(159.7)	–	(159.7)
Pension liabilities	c, g	–	(38.1)	(38.1)
Total liabilities		(436.9)	(36.3)	(473.2)
Net assets		135.8	(30.0)	105.8
Capital and reserves				
Called up share capital		5.4	–	5.4
Share premium account		30.8	–	30.8
Other reserves		0.7	–	0.7
Retained earnings		96.0	(30.0)	66.0
Total shareholders' equity		132.9	(30.0)	102.9
Minority interests in equity		2.9	–	2.9
Total equity		135.8	(30.0)	105.8

29. Reconciliation of net assets and profit under UK GAAP to IFRS (continued)

Reconciliation of equity at 31 December 2004

Group	Notes	UK GAAP £m	Effect of transition to IFRS £m	IFRS £m	Adjustments to provisional fair values £m	Total £m
Goodwill	d	109.2	2.3	111.5	–	111.5
Intangible assets	a, b, h	–	25.2	25.2	(1.2)	24.0
Property, plant and equipment	a, e	182.8	(19.6)	163.2	0.4	163.6
Deferred tax assets	c, f, h	5.8	2.4	8.2	–	8.2
Overseas taxation		1.2	–	1.2	–	1.2
Total non-current assets		299.0	10.3	309.3	(0.8)	308.5
Inventories		58.3	–	58.3	–	58.3
Trade and other receivables	j	152.2	46.9	199.1	–	199.1
Cash and cash equivalents		101.1	–	101.1	–	101.1
Total current assets		311.6	46.9	358.5	–	358.5
Total assets		610.6	57.2	667.8	(0.8)	667.0
Trade and other payables	g	(304.5)	1.7	(302.8)	0.8	(302.0)
Current tax liabilities		(1.3)	–	(1.3)	–	(1.3)
Financial liabilities - borrowings	e, j	(144.4)	(47.6)	(192.0)	–	(192.0)
Pension liabilities	c, g	(16.8)	(27.2)	(44.0)	–	(44.0)
Total liabilities		(467.0)	(73.1)	(540.1)	0.8	(539.3)
Net assets		143.6	(15.9)	127.7	–	127.7
Capital and reserves						
Called up share capital		5.4	–	5.4	–	5.4
Share premium account		30.8	–	30.8	–	30.8
Other reserves		0.7	0.3	1.0	–	1.0
Retained earnings		105.0	(16.2)	88.8	–	88.8
Total shareholders' equity		141.9	(15.9)	126.0	–	126.0
Minority interests in equity		1.7	–	1.7	–	1.7
Total equity		143.6	(15.9)	127.7	–	127.7

Provisional fair value adjustments

IFRS requires adjustments to provisional fair values in respect of acquisitions to be reviewed within 12 months of the acquisition date. Where adjustments to the previously reported figures are identified, restatements to the comparative figures are made. Under UK GAAP such adjustments would have been included as an adjustment to goodwill in the current period. Adjustments to the provisional fair values following the acquisitions of Peter's Foodservice and Wild Harvest in 2004 have been included in the reconciliation of equity at 31 December 2004.

Notes to the financial statements

29. Reconciliation of net assets and profit under UK GAAP to IFRS (continued)

Reconciliation of equity at 1 January 2004 (date of transition to IFRS)

Company	Notes	UK GAAP £m	Effect of transition to IFRS £m	IFRS £m
Goodwill		16.1	–	16.1
Intangible assets	a	–	5.1	5.1
Property, plant and equipment	a	116.0	(5.1)	110.9
Deferred tax assets	c, f	3.6	6.4	10.0
Overseas taxation		204.3	–	204.3
Total non-current assets		340.0	6.4	346.4
Inventories		38.0	–	38.0
Trade and other receivables		127.7	–	127.7
Cash and cash equivalents		47.3	–	47.3
Total current assets		213.0	–	213.0
Total assets		553.0	6.4	559.4
Trade and other payables		(206.7)	–	(206.7)
Current tax liabilities		(0.8)	–	(0.8)
Financial liabilities - borrowings		(156.2)	–	(156.2)
Pension liabilities	c	–	(36.9)	(36.9)
Total liabilities		(363.7)	(36.9)	(400.6)
Net assets		189.3	(30.5)	158.8
Capital and reserves				
Called up share capital		5.4	–	5.4
Share premium account		30.8	–	30.8
Other reserves		11.6	–	11.6
Retained earnings		141.5	(30.5)	111.0
Total shareholders' equity		189.3	(30.5)	158.8

29. Reconciliation of net assets and profit under UK GAAP to IFRS (continued)

Reconciliation of equity at 31 December 2004

Company	Notes	UK GAAP £m	Effect of transition to IFRS £m	IFRS £m	Adjustments to provisional fair values £m	Total £m
Goodwill	d	16.9	(0.8)	16.1	–	16.1
Intangible assets	a, b	–	18.1	18.1	(0.5)	17.6
Property, plant and equipment	a	135.5	(16.2)	119.3	0.4	119.7
Deferred tax assets	c, f	5.9	3.1	9.0	–	9.0
Overseas taxation		219.9	–	219.9	(0.8)	219.1
Total non-current assets		378.2	4.2	382.4	(0.9)	381.5
Inventories		38.1	–	38.1	–	38.1
Trade and other receivables	j	95.8	46.9	142.7	–	142.7
Cash and cash equivalents		93.3	–	93.3	–	93.3
Total current assets		227.2	46.9	274.1	–	274.1
Total assets		605.4	51.1	656.5	(0.9)	655.6
Trade and other payables		(243.9)	–	(243.9)	0.9	(243.0)
Current tax liabilities		(1.3)	–	(1.3)	–	(1.3)
Financial liabilities - borrowings	j	(140.6)	(46.9)	(187.5)	–	(187.5)
Pension liabilities	c	(16.8)	(25.7)	(42.5)	–	(42.5)
Total liabilities		(402.6)	(72.6)	(475.2)	0.9	(474.3)
Net assets		202.8	(21.5)	181.3	–	181.3
Capital and reserves						
Called up share capital		5.4	–	5.4	–	5.4
Share premium account		30.8	–	30.8	–	30.8
Other reserves		11.6	(0.2)	11.4	–	11.4
Retained earnings		155.0	(21.3)	133.7	–	133.7
Total shareholders' equity		202.8	(21.5)	181.3	–	181.3

Notes to the financial statements

29. Reconciliation of net assets and profit under UK GAAP to IFRS (continued)

Reconciliation of profit for the year ended 31 December 2004

Group	Notes	UK GAAP £m	Effect of transition to IFRS £m	IFRS £m
Revenue		1,566.8	–	1,566.8
Direct purchase cost		(1,135.0)	–	(1,135.0)
Trading profit		431.8	–	431.8
Distribution and selling costs		(306.6)	–	(306.6)
Gross profit		125.2	–	125.2
Administrative expenses	c	(57.7)	0.9	(56.8)
Exceptional items	c	(28.1)	16.8	(11.3)
Goodwill amortisation and impairment	d	(7.2)	6.5	(0.7)
Amortisation of customer lists		(0.1)	–	(0.1)
Operating profit		32.1	24.2	56.3
Interest receivable	c	0.7	5.5	6.2
Interest payable and similar charges	c	(10.3)	(6.2)	(16.5)
Profit on ordinary activities before taxation		22.5	23.5	46.0
Taxation	c, f	(11.4)	(4.9)	(16.3)
Profit for the year after taxation		11.1	18.6	29.7
Non-equity dividends	i	(2.0)	–	(2.0)
Profit for the year		9.1	18.6	27.7
Profit attributable to minority interests		0.4	–	0.4
Profit attributable to equity shareholders		8.7	18.6	27.3
		9.1	18.6	27.7

Explanation of material adjustments to the cash flow statements for 2004

Under IFRS movements in cash and cash equivalents includes movements in liquid resources whereas under UK GAAP movements in cash excluded movements in liquid resources. For the year ended 31 December 2004 there is an increase in cash flow of £37.1m to take account of the movements in liquid resources.

Interest paid of £10.0m during the year ended 31 December 2004 is classified as part of operating cash flows under IFRSs, but were included in a separate category of returns on investments and servicing of finance cash flows under UK GAAP.

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

29. Reconciliation of net assets and profit under UK GAAP to IFRS (continued)

Notes explaining reconciling items between UK GAAP and IFRS

- (a) Computer software costs were disclosed as part of property, plant and equipment under UK GAAP. Such costs meet the definition of intangible assets under IFRS and are therefore disclosed as intangible assets. For the Group at 1 January 2004 and at 31 December 2004 computer software costs with a net book value of £9.1m and £20.3m respectively were reclassified. For the Company at 1 January 2004 and at 31 December 2004 computer software costs with a net book value of £5.1m and £16.2 m respectively were reclassified.
- (b) Customer lists were disclosed as part of goodwill under UK GAAP. Such costs meet the definition of intangible assets under IFRS and are therefore disclosed as intangible assets. At 31 December 2004, Group customer lists with a net book value of £4.2m and Company customer lists with a net book value of £1.9m were reclassified. There was no effect at 1 January 2004.
- (c) IFRS requires that the net deficit in respect of defined benefit pension plans be recognised in the balance sheet. We have also adopted the amendment to IAS 19 'Employee Benefits' issued in December 2004, which allows actuarial gains and losses to be recognised immediately in reserves. In contrast, the net deficit in respect of defined benefit pension plans was not required to be recognised under UK GAAP prior to 31 December 2005. The impact on Group equity at the date of transition of 1 January 2004 is a reduction of £36.4m and at 31 December 2004 is a reduction of £25.5m, being offset by the recognition of a deferred tax asset of £11.1m at 1 January 2004 and £7.6m at 31 December 2004.
- The impact on the UK GAAP Group and Company profit for the year ended 31 December 2004 following IFRS adoption has resulted in a credit of £17.7m in respect of operating costs of the pension scheme, offset by associated deferred taxation of £5.1m and a charge of £0.7m for the pension net finance cost.
- The impact on Company equity at 1 January 2004 is a reduction of £36.9m and £25.7m at 31 December 2004, being offset by the recognition of a deferred tax asset of £11.0m at 1 January 2004 and £7.6m at 31 December 2004
- (d) Under UK GAAP, goodwill was recorded at cost and amortised to the profit and loss account over its expected useful economic life. Goodwill amortisation is prohibited under IFRS. Instead, annual impairment reviews of goodwill are conducted and any impairment is reflected in the income statement. The adjustment included in the Group reconciliation reflects the reversal of the UK GAAP Group and Company goodwill amortisation charges of £6.5m and £1.1m respectively since the date of transition to IFRS.
- (e) As disclosed in note 7, the Group has identified certain leases, which were classified as operating leases for motor vehicles under UK GAAP, which under IFRS require reclassification as finance leases. As a consequence, previously reported operating lease expenses of £0.1m in 2004 were reclassified as depreciation. In addition, the reclassification of operating leases to finance leases resulted in the recognition of motor vehicles with a net book value of £0.7m at 31 December 2004. At the same date a finance lease liability of £0.7m was recognised. There was no effect at 1 January 2004.
- (f) In accordance with IAS 12, provision has been made for deferred tax on revalued assets, on certain taxable temporary differences arising from business combinations and also on customer lists. This was not permitted under UK GAAP. The impact on Group and Company equity at the date of transition of 1 January 2004 is a reduction of £4.7m and at 31 December 2004 is a reduction of £4.5m.
- (g) In Continental Europe certain post employment benefits which meet the criteria of a defined benefit plan were reclassified from other payables to pension scheme liabilities. The Group amounts reclassified were £1.8m at 1 January 2004 and £1.7m at 31 December 2004.
- (h) In accordance with IFRS 3, recognition has been made for deferred tax on the customer list intangible asset arising following the acquisition of Wild Harvest Limited during 2004. A Group provision of £0.7m has been made with a corresponding amount allocated to the customer list.

Other changes in accounting policy following adoption of IAS 32 and IAS 39

- (i) In accordance with IAS 32, preference shares are shown within debt as their substance is that of a debt instrument. Under UK GAAP, preference shares are shown within shareholders' funds. Dividends on preference shares are shown within interest payable and similar finance charges under IFRS, whereas under UK GAAP such dividends were shown as dividend appropriations within the profit and loss account. With adoption to be applied from 1 January 2005 the previously reported non-equity preference dividends of £2.0m in 2004 have not been reclassified.
- (j) In accordance with IAS 32, certain amounts owed to and from group undertakings have been included within current assets and current liabilities. Previously, certain of these balances had been netted off, based on the Group's intention to settle the balances net, however, following the adoption of IAS 32 such balances have only been offset when there is also a legally enforceable right to set off the amounts. The effect of this has been to increase both amounts owed by Group undertakings (included within trade and other receivables) and amounts owed to Group undertakings (included within financial liabilities - borrowings) by £46.9m in the Group and Company. The 2004 comparative figures have been restated accordingly to provide a more meaningful comparison.



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