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Brake Bros Limited

Annual Report

For the year ended 31 December 2006

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Directors' report

The Directors submit their report and the audited financial statements for the year ended 31 December 2006

Business review and principal activities

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

The results for the Group for the year are set out in the consolidated income statement on page 6.

The results for the Group show a pre-tax profit of £68.8m (2005: £4.6m loss) for the year and revenue of £1,638.3m (2005: £1,628.3m). Net cash inflow from operating activities for 2006 was £100.9m (2005: £55.9m).

Principal risks and uncertainties

The directors of the ultimate parent undertaking, Brake Bros Holding I Limited, manage the group's risks and performance at the ultimate group level, rather than at a lower group level. For this reason, a discussion of the Group's risks, together with an analysis using key performance indicators, has not been included by the Company's directors. The principal risks and uncertainties, together with the development, performance and position, and an analysis using key performance indicators of the Brake Bros Holding I Limited group, which include those of the company and group, are discussed on page 2 of the group's annual report, which does not form part of this report.

Future outlook

The Directors are confident that the level of profitability of the Group will continue in the next year.

Dividends

No interim dividends (2005: £nil) have been paid and the Directors do not recommend a final dividend (2005: £nil).

Directors and their interests

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

B Deschamps

J L Rice

I D Power

F J McKay (appointed 3 January 2006)

At the date of his appointment, F J McKay held no shares in the Company's ultimate parent Brake Bros Holding I Limited, but at the year end held 3,157 B and 470,498 C4 ordinary shares of 1p each and 826,384 deferred shares of 1p each.

At the beginning of the year, I D Power held 20,000 B, 30,000 C1 and 10,000 C2 ordinary shares of 1p each and at the end of the year held 7,286 B, 10,930 C1, 3,643 C2 and 38,138 deferred 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 beginning of the year, 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 end of the year, I D Power resigned as a director on 22 January 2007, J L Rice resigned as a director on 23 January 2007 and M R C Fearn was appointed as a director on 22 January 2007.

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 8,500 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 2006 represented 59 days (2005: 55 days) of annual purchases for the Group. The number of days' suppliers invoices included in trade payables at 31 December 2006 represented 62 days (2005: 60 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 £10,000 (2005: £27,000) 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

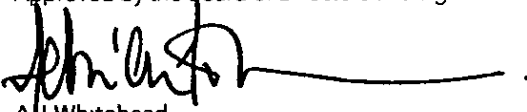
The Group actively maintains a mixture of long-term and short-term facilities, including amounts funded from group undertakings that are designed to ensure the Group has sufficient available funds for operations and planned expansions.

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.

So far as the Directors are aware, there is no relevant audit information of which the auditors are unaware and the Directors have taken all steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

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



A J Whitehead
Secretary
20 April 2007

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

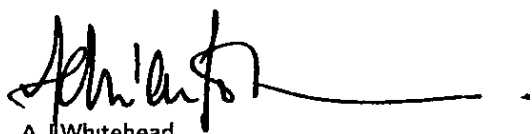
- Select suitable accounting policies and then apply them consistently,
- Make judgements and estimates that are reasonable and prudent,
- State that the financial statements comply with IFRS, and
- Prepare the financial statements on the going concern basis, unless it is inappropriate to presume that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

20 April 2007

Independent Auditors' report to the members 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 2006 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 report to you whether, in our opinion, the information given in the Directors' report is consistent with the financial statements. We also report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and 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

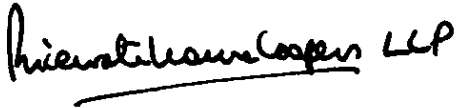
In our opinion:

- 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 2006 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 2006 and of its cash flows for the year then ended,
- The financial statements have been properly prepared in accordance with the Companies Act 1985, and
- The information given in the Directors' report is consistent with the financial statements.

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 2006 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. Below the signature, there is a horizontal line.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Gatwick
20 April 2007

Consolidated income statement

For the year ended 31 December 2006

	Notes	2006 £m	Before exceptional items £m	Exceptional items £m	Total 2005 £m
Revenue	1	1,638 3	1,628 3	–	1,628 3
Operating costs		(1,558 4)	(1,565 3)	(55 2)	(1,620 5)
Operating profit	1	79 9	63 0	(55 2)	7 8
Interest payable and similar charges	2	(18 9)	(19 4)	–	(19 4)
Interest receivable	2	7 8	7 0	–	7 0
Profit / (loss) on ordinary activities before taxation		68 8	50 6	(55 2)	(4 6)
Taxation	3	(9 5)	(7 4)	12 8	5 4
Profit for the year after taxation		59 3	43 2	(42 4)	0 8
Loss attributable to minority interests		–	(0 1)	–	(0 1)
Profit attributable to equity shareholders	20	59 3	43 3	(42 4)	0 9
		59 3	43 2	(42 4)	0 8

There were no exceptional items in 2006

Statements of recognised income and expense

For the year ended 31 December 2006

	Notes	Group 2006 £m	2005 £m	Company 2006 £m	2005 £m
Profit / (loss) for the financial year		59 3	0 8	38 6	(15 2)
Net exchange differences on foreign currency translations		(1 4)	(1 9)	–	–
Cash flow hedges - net fair value losses		(0 1)	–	–	–
Actuarial gains / (losses) on defined benefit pension scheme	16	11 5	(7 2)	11 6	(7 1)
Deferred tax on items taken directly to equity	3	(3 4)	2 2	(3 4)	2 2
Net income / (expense) not recognised in income statement		6 6	(6 9)	8 2	(4 9)
Total recognised income / (expense) for the year		65 9	(6 1)	46 8	(20 1)
Attributable to minority interests		–	(0 2)	–	–
Attributable to equity shareholders		65 9	(5 9)	46 8	(20 1)
		65 9	(6 1)	46 8	(20 1)

Consolidated balance sheet

As at 31 December 2006

	Notes	2006 £m	2005 £m
Assets			
Non-current assets			
Goodwill	5	100 0	101 4
Intangible assets	6	8 8	8 3
Property, plant and equipment	7	163 3	166 4
Deferred tax assets	17	35 1	22 5
Overseas taxation		0 1	0 7
		307 3	299 3
Current assets			
Inventories	9	54 2	52 8
Trade and other receivables	10	245 3	214 6
Cash and cash equivalents	11	101 3	78 2
		400 8	345 6
Liabilities			
Current liabilities			
Financial liabilities - borrowings	14	(23 7)	(55 7)
Financial liabilities - derivative financial instruments	15 (b)	(0 1)	-
Trade and other payables	12	(335 6)	(290 0)
Current tax liabilities	13	(5 2)	(5 3)
		(364 6)	(351 0)
Net current liabilities			
		36 2	(5 4)
Non-current liabilities			
Financial liabilities - borrowings	14	(140 6)	(123 7)
Pension scheme liabilities	16	(16 6)	(49 8)
		(157 2)	(173 5)
Net assets			
		186 3	120 4
Shareholders' equity			
Called up share capital	18	5 4	5 4
Shared premium account	21	30 8	30 8
Other reserves	20	(3 1)	(1 6)
Retained earnings	20	153 0	85 5
Total shareholders' equity			
Minority interest in equity	21	0 2	0 3
Total equity			
	21	186 3	120 4

The financial statements on pages 6 to 40 were approved by the Board of Directors on 20 April 2007 and were signed on its behalf by



M R C Fearn
Director

Company balance sheet

As at 31 December 2006

	Notes	2006 £m	2005 £m
Assets			
Non-current assets			
Goodwill	5	16 1	16 1
Intangible assets	6	5 9	4 7
Property, plant and equipment	7	124 3	126 4
Deferred tax assets	17	21 9	16 7
Investments in subsidiaries	8	204 4	204 4
		372 6	368 3
Current assets			
Inventories	9	32 2	33 9
Trade and other receivables	10	120 5	84 3
Cash and cash equivalents	11	85 3	64 8
		238 0	183 0
Liabilities			
Current liabilities			
Financial liabilities - borrowings	14	(21 3)	(53 7)
Trade and other payables	12	(322 9)	(262 2)
Current tax liabilities	13	(4 7)	(4 8)
		(348 9)	(320 7)
Net current liabilities		(110 9)	(137 7)
Non-current liabilities			
Financial liabilities - borrowings	14	(38 7)	(21 2)
Pension scheme liabilities	16	(14 8)	(48 1)
		(53 5)	(69 3)
Net assets		208 2	161 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	10 7
Retained earnings	20	161 3	114 4
Total shareholders' equity	21	208 2	161 3

The financial statements on pages 6 to 40 were approved by the Board of Directors on 20 April 2007 and were signed on its behalf by



M R C Fearn
Director

Consolidated cash flow statement

For the year ended 31 December 2006

	Notes	2006 £m	2005 £m
Cash flows from operating activities			
Cash generated from operations	22 (a)	111 8	65 9
Interest received		1 2	1 0
Interest paid		(11 8)	(14 9)
Tax (paid) / received		(0 3)	3 9
Net cash generated from operating activities		100 9	55 9
Cash flows from investing activities			
Purchase of property, plant and equipment		(15 8)	(20 6)
Purchase of intangible assets		(4 0)	(12 3)
Sale of property, plant and equipment and intangible assets		4 1	7 5
Sale and leaseback of property, plant and equipment		3 0	–
Purchase of subsidiary undertakings and businesses	23	(0 3)	(2 7)
Net cash used in investing activities		(13 0)	(28 1)
Cash flows used in financing activities			
Payments to parent undertakings		(71 9)	(142 7)
Loan from parent undertaking		16 5	–
Loan drawdowns		0 1	101 0
Loan repayments		(0 5)	(0 1)
Debt issue costs paid		(0 3)	(0 6)
Finance lease capital repayments		(8 4)	(8 1)
Net cash flow used in financing activities		(64 5)	(50 5)
Effects of exchange rate changes		(0 3)	(0 2)
Net increase / (decrease) in cash and cash equivalents		23 1	(22 9)
Cash and cash equivalents at 1 January	11	78 2	101 1
Cash and cash equivalents at 31 December	11	101 3	78 2

Company cash flow statement

For the year ended 31 December 2006

	Notes	2006 £m	2005 £m
Cash flows from operating activities			
Cash generated from operations	22 (a)	95 5	147 6
Interest received		1 1	1 0
Interest paid		(6 3)	(10 5)
Tax (paid) / received		(0 2)	3 5
Net cash generated from operating activities		90 1	141 6
Cash flows from investing activities			
Purchase of property, plant and equipment		(9 6)	(15 0)
Purchase of intangible assets		(2 6)	(11 1)
Sale of property, plant and equipment and intangible assets		3 1	6 6
Sale and leaseback of property, plant and equipment		3 0	–
Purchase of subsidiary undertakings and businesses		(0 2)	(0 7)
Net cash used in investing activities		(6 3)	(20 2)
Cash flows from financing activities			
Payments to parent undertakings		(71 9)	(142 7)
Loan from parent undertaking		16 5	–
Loan repayments		(0 5)	(0 1)
Finance lease capital repayments		(7 4)	(7 1)
Net cash flow used in financing activities		(63 3)	(149 9)
Net increase / (decrease) in cash and cash equivalents		20 5	(28 5)
Cash and cash equivalents at 1 January	11	64 8	93 3
Cash and cash equivalents at 31 December	11	85 3	64 8

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 2006. These group consolidated financial statements were authorised for issue by the Board of Directors on 20 April 2007.

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.

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 B.

The preparation of financial statements in conformity with IFRS 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. The areas involving a higher degree of judgement or complexity, or areas where assumptions are significant to the consolidated financial statements are disclosed below within critical accounting estimates and assumptions.

(i) Standards, amendments and interpretations effective in 2006 but not relevant

The following standards, amendments and interpretations to published standards are mandatory for accounting periods beginning on or after 1 January 2006 but they are not relevant to the Group's operations:

- IAS 21 (Amendment), Net investment in a foreign operation
- IAS 39 (Amendment), Cash flow hedge accounting of forecast intragroup transactions
- IAS 39 (Amendment), The fair value option
- IAS 39 and IFRS 4 (Amendment), Financial guarantee contracts
- IFRS 1 (Amendment), First-time adoption of international financial reporting standards
- IFRIC 4, Determining whether an arrangement contains a lease
- IFRIC 5, Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds, and
- IFRIC 6, Liabilities arising from participating in a specific market – waste, electrical and electronics equipment

(ii) Interpretations to existing standards that are not yet effective and have not been adopted early by the Group

The following interpretation to an existing standard has been published and is mandatory for the Group's accounting periods beginning on or after 1 March 2007 or later periods but which the Group has not early adopted:

- IFRIC 11, 'IFRS 2 – Group and treasury share transactions' IFRIC 11 addresses how to apply IFRS 2 to share based payment arrangements in an entity, rather than a group, involving an entity's own equity instruments or equity instruments of another entity in the same group. The Group will apply IFRIC 11 from 1 January 2008, but is not expected to have any material impact on the Group's accounts.

B. 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 are entities that are directly or indirectly controlled by the Group. 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.

Revenue

Revenue comprises the fair value of the consideration received or receivable 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. Interest income is recognised on a time-proportion basis using the effective interest method.

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 historical cost less subsequent depreciation and impairment

Cost represents invoiced cost plus any other costs that are directly attributable to the acquisition of the item. The Group charges borrowing costs to the income statement as they are incurred.

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

No depreciation is provided on freehold land.

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

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

Asset lives and residual values are reviewed each financial year.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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

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

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. Impairment losses are not reversed.

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

(b) Computer software

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

Where software costs are capitalised they are amortised using the straight-line basis to write them down to their estimated realisable value over their 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 carrying amount of the asset is reduced through the use of a trade receivables impairment account, and the amount of the loss is recognised in the income statement within 'trading profit'. When a trade receivable is uncollectible it is written off against the trade receivables impairment account. Subsequent recoveries of amounts previously written off are credited 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 in full 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 a number of its employees. The scheme is a contracted out defined benefit scheme, providing final salary related benefits accrued for each year of service. The scheme was made fully paid up at 31 December 2003 and no further benefits are accruing to members subsequent to this date.

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 annually. The present value of the defined benefit obligation is determined by discounting the estimated future cash flows using interest rates of high-quality corporate bonds that have terms to maturity approximating to the terms of the related pension liability.

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

Defined contribution plan

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

Leases

Leases in which a significant portion of the risks and rewards of ownership are transferred to the Group are classified as finance leases.

Assets acquired under finance leases are included in the 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 on a straight line basis 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 except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

The income statements of foreign subsidiary companies are translated into sterling at monthly average exchange rates 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.

Derivative financial instruments

The Group uses derivative financial instruments, where considered appropriate. The Group does not use derivative financial instruments for speculative purposes.

All derivative financial instruments are assessed against the hedge accounting criteria set out in IAS 39. The Group's derivatives meet the hedge accounting requirements of IAS 39 and are accordingly designated as cash flow hedges.

Derivatives are initially recognised at the fair value on the date a derivative contract is entered into and are subsequently measured at each reporting date at their fair value.

Changes in the fair value of derivative financial instruments that are designated and effective as cash flow hedges are recognised in equity and the ineffective portion, if any, is recognised immediately in the income statement.

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. Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. 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.

Critical accounting estimates and assumptions

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

(a) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated above. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates and assumptions (see note 5 to the financial statements).

Impairment reviews can be sensitive to the forecast level of earnings, and we have considered the effect of a 10% reduction in the 2007 budgeted earnings on the impairment reviews. Given the level of headroom in the calculations, the only cash generating unit where such a sensitivity could affect the impairment result is in W Pauley & Co Limited, a cash generating unit within the Broadline business segment. However, even with a 10% reduction in the budgeted earnings for W Pauley & Co Limited, the excess of value in use over carrying value would still be £2.8m and no impairment would be required.

(b) Employee benefits – defined pension obligation

Following the amendment to IAS 19 'Employee Benefits' issued in December 2004, the Group has adopted an accounting policy whereby actuarial gains and losses for the defined benefit pension scheme are taken through the statement of recognised income and expense in full each year, and the full deficit on an IAS 19 basis is included within the balance sheet.

The defined benefit pension obligation has been calculated by the scheme actuary for each reporting date, using the projected unit credit method and assumptions agreed with the Group (see note 26 to the financial statements).

One of the key assumptions used in determining the valuation at 31 December 2006 is the discount rate of 5.3%. Whilst it has been accepted that the adoption of a 5.3% discount rate is appropriate, if a lower rate of 5.1% had been used the pension obligation would have been £6.4m higher.

Notes to the financial statements

1 Revenue and operating profit

	2006 £m	2005 £m
Revenue - products	1,638 3	1,628 3
Direct purchase cost	(1,160 1)	(1,157 6)
Trading profit	478 2	470 7
Distribution and selling costs	(332 0)	(344 8)
Gross profit	146 2	125 9
Administrative expenses	(65 1)	(61 4)
Exceptional items (see below)	–	(55 2)
Goodwill impairment (see note 5)	(0 8)	(0 7)
Amortisation of intangibles - customer lists	(0 4)	(0 8)
Total administrative expenses	(66 3)	(118 1)
Group operating profit	79 9	7 8

The Group's revenue relates primarily of sales to customers within the United Kingdom amounting to £1,332 4m (2005 £1,330 2m) and within Continental Europe amounting to £305 9m (2005 £298 1m)

The Group operating profit is all derived from continuing operations

	2006 £m	2005 £m
Profit on ordinary activities before taxation is arrived at after charging/(crediting)		
Staff costs (see note 24)	224 0	239 3
Inventories		
- cost of inventories recognised as an expense (included in direct purchase cost)	1,143 4	1,149 6
- write downs and losses incurred in the year	4 5	6 3
Amortisation of intangibles - customer lists (included in administrative expenses)	0 4	0 8
Amortisation of intangibles - computer software (included in administrative expenses)	3 4	3 1
Goodwill impairment (included in administrative expenses)	0 8	0 7
Depreciation of property, plant and equipment		
- owned assets	16 3	18 1
- assets held under finance leases	7 9	5 8
Profit on sale of property, plant and equipment	(1 1)	(3 0)
(Profit) / loss on disposal of intangible assets	(1 0)	0 2
Other operating lease rentals payable		
- plant and machinery	10 1	12 7
- property	8 6	8 6
Repairs and maintenance expenditure on property, plant and equipment	23 7	21 0
Trade receivables impairment	2 5	3 8
Exceptional items		
- restructuring of the UK distribution network	–	6 1
- other restructuring costs	–	8 6
	–	14 7
- Broadline IT infrastructure impairment	–	27 0
- Impairment of goodwill, intangible and other assets	–	13 5
	–	40 5
Total exceptional items	–	55 2

1. Revenue and operating profit (continued)

Auditors

The auditors' remuneration in respect of statutory audit services to the Company amounted to £0.2m (2005: £0.2m)

	2006 £m	2005 £m
Non-audit services		
The audit of the company's subsidiaries pursuant to legislation	0.2	0.2
Tax services	0.3	0.2
Other services	–	0.5
	0.5	0.9

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 £23,200 (2005: £22,750)

2 Finance costs - net

	2006 £m	2005 £m
Interest expense		
Loan from parent undertaking	(3.8)	(8.6)
Bank loans	(5.3)	(0.5)
Other loans and charges	(0.1)	(0.3)
Amortisation of debt issue costs	(0.2)	–
Finance leases	(2.4)	(1.9)
Preference dividend paid	–	(1.4)
Interest on pension scheme liabilities	(7.1)	(6.7)
Total interest and similar charges payable	(18.9)	(19.4)
Interest income		
Banks	1.2	1.0
Expected return on pension scheme assets	6.6	6.0
Total interest receivable	7.8	7.0
Finance costs - net	(11.1)	(12.4)
The above includes interest and similar charges in respect of borrowings wholly repayable within five years	11.5	10.0

3. Taxation

Taxation is based on the profit / (loss) for the year and comprises	2006 £m	2005 £m
Current tax		
- Current year group relief	15 9	10 2
- Overseas taxation	0 6	0 3
- Adjustments in respect of previous periods	9 2	(3 8)
Deferred taxation credit	(16 2)	(12 1)
	9 5	(5 4)
Analysis of tax on items charged to equity	2006 £m	2005 £m
Deferred tax (charge) / credit on actuarial movements (see note 17)	(3 4)	2 2
A reconciliation of the tax charge for the year compared to the standard rate of corporation tax is summarised below	2006 £m	2005 £m
Profit / (loss) on ordinary activities before tax	68 8	(4 6)
At 30%	20 6	(1 4)
Effects of		
Adjustments to tax charge in respect of previous periods	9 2	(3 8)
UK deferred taxation - utilisation of prior year tax losses	(9 1)	-
Overseas taxation	0 6	0 3
Overseas deferred taxation in respect of previous periods	(6 3)	(4 0)
Expenses not deductible for tax purposes and other adjustments	(5 5)	3 5
Total taxation charge / (credit)	9 5	(5 4)

4 Profit 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 an income statement
The Company's profit for the financial year amounted to £38 6m (2005 £15 2m loss)

5 Goodwill

	Group £m	Company £m
Cost		
At 1 January 2006	111 3	16 1
Exchange adjustment	(0 6)	-
As at 31 December 2006	110 7	16 1
Accumulated impairment		
At 1 January 2006	9 9	-
Impairment for the year	0 8	-
As at 31 December 2006	10 7	-
Net book value at 31 December 2006	100 0	16 1

5. Goodwill (continued)

	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
Accumulated 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

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 2006, is as follows

	Broadline £m	Country Choice £m	M&J Seafood £m	Total £m
United Kingdom	19.3	26.6	36.4	82.3
Continental Europe	17.7	-	-	17.7
	37.0	26.6	36.4	100.0

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 2007. 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 13.1%. The results of the impairment reviews undertaken indicate that the business segments have recoverable amounts in excess of the carrying value of goodwill.

An impairment loss of £0.8m (2005: £9.2m) has been recognised. Of this amount £0.8m (2005: £0.7m) relates to a separately identifiable customer list, which is included within the goodwill balance in the M&J Seafood business segment. The impairment loss reflects the consumption of benefits relating to this asset. The other amount for 2005 of £8.5m related to an impairment loss in W Pauley & Co Limited, a subsidiary company which is a cash generating unit within the Broadline business segment.

6 Intangible assets

Group	Computer software £m	Customer lists £m	Total £m
Cost			
At 1 January 2006	27.4	4.0	31.4
Exchange adjustment	(0.1)	–	(0.1)
Additions	4.3	–	4.3
Disposals	(0.2)	–	(0.2)
At 31 December 2006	31.4	4.0	35.4
Amortisation			
At 1 January 2006	20.4	2.7	23.1
Exchange adjustment	(0.1)	–	(0.1)
Charge for the year	3.4	0.4	3.8
Disposals	(0.2)	–	(0.2)
At 31 December 2006	23.5	3.1	26.6
Net book value at 31 December 2006	7.9	0.9	8.8

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	–	0.2	0.2
Additions	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	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

6 Intangible assets (continued)

Company	Computer software £m	Customer lists £m	Total £m
Cost			
At 1 January 2006	18.2	1.5	19.7
Additions	2.9	–	2.9
Disposals	(0.1)	–	(0.1)
At 31 December 2006	21.0	1.5	22.5
Amortisation			
At 1 January 2006	14.6	0.4	15.0
Charge for the year	1.4	0.3	1.7
Disposals	(0.1)	–	(0.1)
At 31 December 2006	15.9	0.7	16.6
Net book value			
At 31 December 2006	5.1	0.8	5.9

Company	Computer software £m	Customer lists £m	Total £m
Cost			
At 1 January 2005	27.9	1.5	29.4
Additions	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	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

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

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 2006	129.9	88.6	104.6	30.3	353.4
Exchange adjustment	(0.9)	(0.1)	(0.2)	(0.1)	(1.3)
Additions	2.9	12.3	7.3	1.6	24.1
Disposals	(2.2)	(11.9)	(4.5)	(4.2)	(22.8)
At 31 December 2006	129.7	88.9	107.2	27.6	353.4
Depreciation					
At 1 January 2006	54.9	45.9	65.3	20.9	187.0
Exchange adjustment	(0.4)	–	(0.1)	(0.1)	(0.6)
Charge for the year	3.4	10.5	6.8	3.5	24.2
Disposals	(1.4)	(10.7)	(4.2)	(4.2)	(20.5)
At 31 December 2006	56.5	45.7	67.8	20.1	190.1
Net book value					
At 31 December 2006	73.2	43.2	39.4	7.5	163.3

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	–	–	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

7 Property, plant and equipment (continued)

Land and buildings comprise

	2006 £m	2005 £m
Cost		
Freehold	114.5	116.2
Long leasehold	10.5	10.0
Short leasehold	4.7	3.7
	129.7	129.9
Depreciation		
Freehold	51.3	50.9
Long leasehold	3.2	2.8
Short leasehold	2.0	1.2
	56.5	54.9

Assets held under finance leases have the following net book amount	2006 £m	2005 £m
Cost	66.1	60.2
Accumulated depreciation	(25.3)	(21.0)
Net book amount	40.8	39.2
Land and buildings	6.8	7.1
Motor vehicles	31.1	29.2
Plant and equipment	1.7	0.8
Information technology	1.2	2.1
Net book amount	40.8	39.2

Company	Land and buildings £m	Motor vehicles £m	Plant and equipment £m	Information technology £m	Total £m
Cost					
At 1 January 2006	85.7	76.0	77.2	23.7	262.6
Transfer from group undertaking	~	0.2	–	–	0.2
Additions	2.1	10.7	3.6	0.7	17.1
Disposals	(0.9)	(7.9)	(2.3)	(4.0)	(15.1)
As at 31 December 2006	86.9	79.0	78.5	20.4	264.8
Depreciation					
At 1 January 2006	34.6	37.3	48.0	16.3	136.2
Transfer from group undertaking	–	0.1	–	–	0.1
Charge for the year	2.1	9.1	3.9	2.4	17.5
Disposals	(0.2)	(7.0)	(2.1)	(4.0)	(13.3)
As at 31 December 2006	36.5	39.5	49.8	14.7	140.5
Net book value at 31 December 2006	50.4	39.5	28.7	5.7	124.3

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 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	–	–	–	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
Land and buildings comprise					
			2006 £m		2005 £m
Cost					
Freehold			71.9		72.1
Long leasehold			10.5		10.0
Short leasehold			4.5		3.6
			86.9		85.7
Depreciation					
Freehold			31.4		30.7
Long leasehold			3.2		2.8
Short leasehold			1.9		1.1
			36.5		34.6
Assets held under finance leases have the following net book amount			2006 £m		2005 £m
Cost			51.9		46.4
Accumulated depreciation			(19.2)		(16.1)
Net book amount			32.7		30.3
Motor vehicles			30.2		28.4
Plant and equipment			1.7		0.8
Information technology			0.8		1.1
Net book amount			32.7		30.3

8 Investments

Company	Investments in subsidiary undertakings (equity)		
	At cost £m	Provision £m	Net book value £m
At 1 January and at 31 December 2006	229 5	(25 1)	204 4
Company	£m	£m	£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

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 Cargel SA, a 98% (2005 97%) 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 no impairment losses have arisen.

9 Inventories

	Group		Company	
	2006 £m	2005 £m	2006 £m	2005 £m
Raw materials and consumables	1 3	1 4	1 1	1 1
Finished goods and goods for resale	52 9	51 4	31 1	32 8
	54 2	52 8	32 2	33 9

10 Trade and other receivables

	Group		Company	
	2006 £m	2005 £m	2006 £m	2005 £m
Trade receivables	18 6	19 8	–	–
Trade receivables – factored	118 3	127 5	–	–
Less provision for impairment of receivables	(4 7)	(7 1)	–	–
Trade receivables – net	132 2	140 2	–	–
Amounts owed by group undertakings	–	–	11 0	14 0
Amounts owed by parent undertakings	106 7	67 4	106 7	67 4
Other debtors	2 5	3 3	–	0 2
Prepayments	3 9	3 7	2 8	2 7
	245 3	214 6	120 5	84 3

During the year ended 31 December 2005 certain subsidiary companies of the Group sold trade receivables to a special purpose group entity, Brake Bros Receivables Limited. This company is a fellow subsidiary of the ultimate parent undertaking 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 recourse factoring agreement with a bank and these receivables are separately disclosed in the note above.

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.

11 Cash and cash equivalents

	Group		Company	
	2006	2005	2006	2005
	£m	£m	£m	£m
Cash at bank and in hand	38 6	35 3	22 6	21 9
Short term bank deposits	62 7	42 9	62 7	42 9
	101 3	78 2	85 3	64 8

The effective interest rate on short term deposits was 4.89 % (2005: 4.06 %) and these deposits have an average maturity of 1 day (2005: 1 day)

12 Trade and other payables - current

	Group		Company	
	2006	2005	2006	2005
	£m	£m	£m	£m
Trade payables	215 5	201 9	172 7	165 0
Amounts owed to group undertakings	64 3	39 4	111 6	65 5
Other taxes and social security	11 1	11 2	5 2	5 2
Other creditors	15 8	14 4	8 4	7 2
Accruals	28 9	23 1	25 0	19 3
	335 6	290 0	322 9	262 2

13 Current tax liabilities

	Group		Company	
	2006	2005	2006	2005
	£m	£m	£m	£m
Corporation tax	5 2	5 3	4 7	4 8

14 Financial liabilities - borrowings

Current	Group		Company	
	2006 £m	2005 £m	2006 £m	2005 £m
Loan notes	0.1	0.6	0.1	0.6
Loans owed to parent undertakings	13.6	46.2	13.6	46.2
Bank loans	0.5	0.5	-	-
Finance lease obligations	8.9	7.9	7.6	6.9
Bills of exchange	0.6	0.5	-	-
	23.7	55.7	21.3	53.7

Non-current	Group		Company	
	2006 £m	2005 £m	2006 £m	2005 £m
Loan notes	0.1	0.6	0.1	0.6
Loans owed to group undertakings	13.6	46.2	13.6	46.2
Subordinated loan owed to parent undertaking	16.5	-	16.5	-
Bank loans	100.5	100.5	-	-
Debt issue costs	(0.7)	(0.9)	-	-
Finance lease obligations	33.7	32.5	29.8	28.1
Bills of exchange	0.6	0.5	-	-
	164.3	179.4	60.0	74.9
Less amounts falling due within one year	(23.7)	(55.7)	(21.3)	(53.7)
	140.6	123.7	38.7	21.2

The loan notes are guaranteed by banks. The bank loans have been obtained pursuant to a debt factoring agreement. Certain liabilities of the parent undertaking are secured by way of a fixed and floating charge over the assets of the Group.

In December 2006 a subordinated loan from the parent undertaking of £16.5m was made to the Company to affect a one off pension contribution to the Brakes UK defined benefit scheme. The loan incurs interest at floating rates.

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

	Group		Company	
	2006 £m	2005 £m	2006 £m	2005 £m
Borrowings at floating interest rates	142.1	159.9	39.3	56.9
Fixed rate borrowings maturing				
- within one year	6.1	5.2	5.0	4.3
- one to five years	13.9	12.3	13.5	11.7
- over five years	2.2	2.0	2.2	2.0
	164.3	179.4	60.0	74.9

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

	2006 %	2005 %
Bank loans	5.8%	5.3%
Loan notes	4.9%	5.4%
Finance lease obligations	7.3%	6.5%
Subordinated loan owed to parent undertaking	13.0%	-

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

Accounting for derivative financial instruments and hedging activities

Derivatives are initially accounted and measured at fair value on the date a derivative contract is entered into and subsequently measured at fair value. The gain or loss on re-measurement is taken to the income statement except where the derivative is a designated cash-flow hedging instrument. The accounting treatment of derivatives classified as hedges depends on their designations, which occurs on the date that the derivative contract is committed to. The Group designates derivatives as

- A hedge of the fair value of an asset or liability ('fair value hedge')
- A hedge of the income/cost of a highly probable forecasted transaction or commitment ('cash flow hedge')
- A hedge of a net investment in a foreign entity

In order to qualify for hedge accounting, the Group is required to document in advance the relationship between the item being hedged and the hedging instrument. The Group is also required to document and demonstrate an assessment of the relationship between the hedged item and the hedging instrument, which shows that the hedge will be highly effective on an on-going basis. This effectiveness testing is re-performed at each quarter end to ensure that the hedge remains highly effective. The Group has not entered into any fair value or net investment hedges

Gains or losses on cash flow hedges that are regarded as highly effective are recognised in equity. Where the forecast transaction results in a financial asset or liability only gains or losses previously recognised in equity are reclassified to profit or loss in the same period as the asset or liability affects profit or loss. Where the forecasted transaction or commitment results in a non-financial asset or a liability, then any gains or losses previously deferred in equity are included in the cost of the related asset or liability. If the forecasted transaction or commitment results in future income or expenditure, gains or losses deferred in equity are transferred to the income statement in the same period as the underlying income or expenditure. The ineffective portions of the gain or loss on the hedging instrument are recognised in the income statement

For the portion of hedges deemed ineffective or transactions that do not qualify for hedge accounting under IAS 39, any change in assets or liabilities is recognised immediately in the income statement. Where a hedge no longer meets the effectiveness criteria, any gains or losses deferred in equity are only transferred to the income statement when the committed or forecasted transaction is recognised in the income statement. However, where an entity applied cash flow hedge accounting for a forecasted or committed transaction that is no longer expected to occur, then the cumulative gain or loss that has been recorded in equity is transferred to the income statement. When a hedging instrument expires or is sold, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement

15 (a). Financial instruments - narrative disclosures (continued)

The fair value of the fuel swap has been determined by reference to prices available from the markets on which the instruments involved are traded

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

15 (b) Financial instruments – numerical disclosures

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

Fuel swap

The fuel swap was entered into in October 2006 with Societe Generale. The fuel swap has the effect of fixing the price of diesel purchased in Continental Europe until 31 December 2007. The Group used hedge accounting during the year in respect of this swap, which was fully effective.

The carrying value and the fair value of the Group's fuel swap liability was £0.1m (2005: nil)

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	2006		2005	
	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	(23.7)	(23.7)	(55.7)	(55.7)
Other long term borrowings	(124.8)	(124.8)	(124.6)	(124.6)
Subordinated loan owed to parent undertaking	(16.5)	(16.5)	–	–
Trade and other payables	(335.6)	(335.6)	(290.0)	(290.0)
Trade and other receivables	241.4	241.4	210.9	210.9
Cash and cash equivalents	101.3	101.3	78.2	78.2
Pension scheme liabilities	(16.6)	(16.6)	(49.8)	(49.8)
Fuel swap	(0.1)	(0.1)	–	–

Company	2006		2005	
	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	(21.3)	(21.3)	(53.7)	(53.7)
Other long term borrowings	(22.2)	(22.2)	(21.2)	(21.2)
Subordinated loan owed to parent undertaking	(16.5)	(16.5)	–	–
Trade and other payables	(322.9)	(322.9)	(262.2)	(262.2)
Trade and other receivables	117.7	117.7	81.6	81.6
Cash and cash equivalents	85.3	85.3	64.8	64.8
Pension scheme liabilities	(14.8)	(14.8)	(48.1)	(48.1)

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

Maturity of non-current financial liabilities

Group	Debt £m	Finance leases £m	2006 Total £m
Between one and two years	–	9 9	9 9
Between two and five years	115 8	11 9	127 7
More than five years	–	3 0	3 0
	115 8	24 8	140 6

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

Company	2006 Debt £m	2006 Finance leases £m	2006 total £m	2005 Finance leases £m
Between one and two years	–	8 7	8 7	6 5
Between two and five years	16 5	10 9	27 4	12 5
More than five years	–	2 6	2 6	2 2
	16 5	22 2	38 7	21 2

Borrowing facilities

The Group has no committed borrowing facilities available at 31 December 2006 (2005: £nil)

The minimum lease payments under finance leases fall due as follows

	Group		Company	
	2006 £m	2005 £m	2006 £m	2005 £m
Not later than one year	11 0	10 1	9 6	8 8
Later than one year but not more than five	24 6	24 5	22 2	21 6
More than five years	3 2	3 1	2 7	2 3
	38 8	37 7	34 5	32 7
Future finance charges on finance leases	(5 1)	(5 2)	(4 7)	(4 6)
Present value of finance lease liabilities	33 7	32 5	29 8	28 1

16 Pension liabilities

	Group		Company	
	2006 £m	2005 £m	2006 £m	2005 £m
Pension liability				
At 1 January	49 8	44 0	48 1	42 5
Exchange adjustment	(0 1)	–	–	–
Interest on obligation	7 1	6 7	7 0	6 6
Expected return on scheme assets	(6 6)	(6 0)	(6 6)	(6 0)
Contributions paid in the year	(22 1)	(2 1)	(22 1)	(2 1)
Actuarial (gains) / losses recognised in equity	(11 5)	7 2	(11 6)	7 1
At 31 December (see note 25)	16 6	49 8	14 8	48 1

17. Deferred tax

The movement on the deferred tax account is as shown below

	Group		Company	
	2006 £m	2005 £m	2006 £m	2005 £m
Deferred taxation				
At 1 January	22 5	8 2	16 7	9 0
Exchange adjustment	(0 2)	–	–	–
Tax (charge) / credit on actuarial movements taken directly to equity	(3 4)	2 2	(3 4)	2 2
Credit for the year	16 2	12 1	8 6	5 5
At 31 December	35 1	22 5	21 9	16 7

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	Pension liabilities £m	Tax losses £m	Other temporary differences £m	Total £m
Deferred tax assets				
At 1 January 2006	14 3	4 0	4 2	22 5
Exchange adjustment	–	(0 2)	–	(0 2)
Tax charge on actuarial gain taken directly to equity	(3 4)	–	–	(3 4)
(Charge) / credit for the year	(2 1)	6 4	11 9	16 2
At 31 December 2006	8 8	10 2	16 1	35 1
Deferred tax asset as at 31 December 2006				35 1
Deferred tax asset as at 31 December 2005				22 5

17. Deferred tax (continued)

Company	Pension liabilities £m	Other temporary differences £m	Total £m
Deferred tax assets			
At 1 January 2006	14.3	2.4	16.7
Tax charge on actuarial gain taken directly to equity	(3.4)	–	(3.4)
(Charge) / credit for the year	(2.1)	10.7	8.6
At 31 December 2006	8.8	13.1	21.9
Deferred tax asset as at 31 December 2006			21.9
Deferred tax asset as at 31 December 2005			16.7

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 based on internal forecasts that these assets will be recovered. The net Group deferred tax asset expected to be recovered after more than one year is £30.0m (2005: £21.2m). There are unrecognised deferred tax assets of £1.7m (2005: £10.8m) in respect of unutilised tax losses in Continental Europe. The deferred tax charged to equity during the year is £3.4m (2005: £2.2m).

See note 29 for post balance sheet events.

18 Called up share capital

	2006 £m	2005 £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 £83,000 (2005: £85,000).

20 Reserves

Group	Retained earnings £m	Other reserves £m	Total £m
At 1 January 2006	85.5	(1.6)	83.9
Pension actuarial gain	11.5	-	11.5
Deferred tax on pension actuarial gain	(3.4)	-	(3.4)
Currency translation differences	-	(1.4)	(1.4)
Share awards - value of employee services	0.1	-	0.1
Cash flow hedges - fair value losses	-	(0.1)	(0.1)
Profit for the year	59.3	-	59.3
At 31 December 2006	153.0	(3.1)	149.9

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

Included within other reserves are cumulative exchange losses of £3.0m (2005: £1.6m losses)

Company	Retained earnings £m	Other reserves £m	Total £m
At 1 January 2006	114.4	10.7	125.1
Profit for the year	38.6	-	38.6
Pension actuarial gain	11.6	-	11.6
Deferred tax on pension actuarial gain	(3.4)	-	(3.4)
Share awards - value of employee services	0.1	-	0.1
At 31 December 2006	161.3	10.7	172.0

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

Included within other reserves are cumulative exchange losses of £0.2m (2005: £0.2m)

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 2006		5.4	30.8	85.5	(1.6)	120.1	0.3	120.4
Acquisitions	23	-	-	-	-	-	(0.1)	(0.1)
Currency translation differences		-	-	-	(1.4)	(1.4)	-	(1.4)
Profit for the year	20	-	-	59.3	-	59.3	-	59.3
Pension actuarial gain	16	-	-	11.5	-	11.5	-	11.5
Deferred tax on pension actuarial gain	17	-	-	(3.4)	-	(3.4)	-	(3.4)
Share awards - value of employee services	19	-	-	0.1	-	0.1	-	0.1
Cash flow hedges - fair value losses		-	-	-	(0.1)	(0.1)	-	(0.1)
At 31 December 2006		5.4	30.8	153.0	(3.1)	186.1	0.2	186.3

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 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

Company	Note	Share capital £m	Share premium account £m	Other reserves £m	Retained earnings £m	Total shareholders' equity £m
At 1 January 2006		5.4	30.8	10.7	114.4	161.3
Profit for the year	20	-	-	-	38.6	38.6
Pension actuarial gain	16	-	-	-	11.6	11.6
Deferred tax on pension actuarial gain	17	-	-	-	(3.4)	(3.4)
Share awards - value of employee services	19	-	-	-	0.1	0.1
At 31 December 2006		5.4	30.8	10.7	161.3	208.2

21. Statement of changes in shareholders' equity (continued)

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

22 Cash generated from operations

(a) Reconciliation of net profit / (loss) to cash generated from operations

	Group		Company	
	2006 £m	2005 £m	2006 £m	2005 £m
Net profit / (loss)	59.3	0.8	38.6	(15.2)
Adjustments for				
- Tax	9.5	(5.4)	11.9	(2.2)
- Interest income	(7.8)	(7.0)	(7.7)	(7.0)
- Interest expense	18.9	19.4	13.1	16.9
Impairment losses recognised	0.8	41.2	-	44.5
Depreciation charges	24.2	23.9	17.5	15.6
Amortisation of intangibles	3.8	3.9	1.7	1.6
Pension contribution paid	(22.1)	(2.1)	(22.1)	(2.1)
Profit on sale property, plant and equipment	(1.1)	(3.0)	(0.3)	(3.3)
(Profit) / loss on disposal of intangible assets	(1.0)	0.2	(1.0)	0.2
(Increase) / decrease in inventories	(1.7)	5.1	1.7	4.2
Decrease in trade and other receivables	8.4	3.9	0.1	91.8
Decrease / (increase) in trade and other payables	20.6	(15.0)	42.0	2.6
Cash generated from operations	111.8	65.9	95.5	147.6

(b) Exceptional items

Cash flows relating to operating exceptional items

Cash generated from Group operations includes £2.3m (2005: £17.4m) of cash outflows in respect of exceptional items charged in 2005.

23 Acquisitions

During the year ended 31 December 2006, the Group acquired in Continental Europe, further shareholdings in Cargel SA for a cash consideration of £0.1m. Further cash consideration of £0.2m was also paid in respect of prior year deferred consideration in respect of the acquisition of Wild Harvest Limited in 2004, in the United Kingdom.

The net outflow of cash in respect of these acquisitions was as follows:

	2006 £m	2005 £m
Cash consideration	0.3	2.7

24. Employees and Directors' emoluments

Average monthly number of people (including executive directors) employed by the Group and Company during the year	Group		Company	
	2006 Number	2005 Number	2006 Number	2005 Number
Distribution, manufacturing and selling	7,713	8,395	5,091	5,625
Administration	925	920	551	551
	8,638	9,315	5,642	6,176

	Group		Company	
	2006 £m	2005 £m	2006 £m	2005 £m
The costs incurred in respect of these employees were:				
Wages and salaries	193.3	207.4	136.5	147.4
Social security costs	27.6	29.4	12.6	13.6
Defined contribution pension costs (see note 25)	2.9	2.5	2.5	2.1
Other pension costs	0.2	–	0.2	–
	224.0	239.3	151.8	163.1

Key management compensation

Group	2006 £'000	2005 £'000
Salaries and short-term benefits	4,890	2,339
Post-employment benefits	364	108
Termination benefits	144	1,198
Share based payments	83	85
	5,481	3,730

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

	2006 £'000	2005 £'000
Aggregate emoluments	1,719	332
Compensation for loss of office	–	326
Company pension contributions to money purchase schemes	30	13

Retirement benefits are accruing to 2 (2005: 1) directors under money purchase pension arrangements.

Emoluments paid to the highest paid director are as follows:

Aggregate emoluments and benefits	1,485	150
Company pension contributions to money purchase schemes	19	–

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 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	
	2006 £m	2005 £m	2006 £m	2005 £m
Defined contribution schemes	2.9	2.5	2.5	2.1

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:

	2006 %	2005 %
Rate of increase in pensionable salaries	—	—
Rate of increase in pensions in payment and deferred pensions - UK	2.9	2.8
Discount rate - UK	5.3	5.5
Discount rate - Continental Europe	4.5	4.5
Inflation assumption - UK	3.0	2.8
Expected return on plan assets - UK	6.8	6.7

Mortality rate assumptions

Assumptions regarding future mortality experience are based on PA92 mortality tables projected by year of birth with a plus 1 year age rating.

The average life expectancy in years of a pensioner retiring at age 65 on the balance sheet date is as follows:

	2006	2005
Male	18.8	17.1
Female	21.8	20.0

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

	2006	2005
Male	20.0	18.3
Female	23.0	21.2

25. Pension commitments (continued)

Pensions and other post-retirement obligations (continued)

The amounts recognised in the balance sheet are determined as follows

	Group		Company	
	2006 £m	2005 £m	2006 £m	2005 £m
Present value of funded obligations	141.3	147.4	141.3	147.4
Present value of unfunded obligations	1.8	1.7	–	–
Fair value of plan assets	(126.5)	(99.3)	(126.5)	(99.3)
Net pension liability recognised in the balance sheet	16.6	49.8	14.8	48.1
Experience gains on plan assets	1.7	10.0	1.7	10.0
Experience gains / (losses) on scheme liabilities	9.8	(17.2)	9.9	(17.1)

Analysis of movement in present value of pension obligation

	Group		Company	
	2006 £m	2005 £m	2006 £m	2005 £m
At 1 January	149.1	128.1	147.4	126.6
Exchange adjustment	(0.1)	–	–	–
Interest cost	7.1	6.7	7.0	6.6
Actuarial (gains) / losses	(9.8)	17.2	(9.9)	17.1
Benefits paid	(3.2)	(2.9)	(3.2)	(2.9)
At 31 December	143.1	149.1	141.3	147.4
Represented by				
Funded obligations	141.3	147.4	141.3	147.4
Unfunded obligations	1.8	1.7	–	–
	143.1	149.1	141.3	147.4

Analysis of movement in fair value of scheme assets

	Group and Company	
	2006 £m	2005 £m
At 1 January	99.3	84.1
Expected return on plan assets	6.6	6.0
Actuarial gains	1.7	10.0
Contributions paid by employer	22.1	2.1
Benefits paid	(3.2)	(2.9)
At 31 December	126.5	99.3

During the year the Group and Company made a one-off contribution of £16.5m to the scheme. The Group and Company has agreed to make a cash contribution of £5.0m to the scheme in the year ending 31 December 2007.

25. Pension commitments (continued)

Pensions and other post-retirement obligations (continued)

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

	2006 Long term rate of return expected per annum %	Value £m	2005 Long term rate of return expected per annum %	Value £m
Equities	7.8	76.1	7.5	68.8
Bonds	5.3	24.4	4.2	23.9
Other assets	5.3	26.0	7.5	6.6
	6.8	126.5	6.7	99.3

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	
	2006 £m	2005 £m	2006 £m	2005 £m
Interest on obligation - included within interest cost	7.1	6.7	7.0	6.6
Expected return on scheme assets - included within interest receivable	(6.6)	(6.0)	(6.6)	(6.0)
Total expense	0.5	0.7	0.4	0.6

Group net actuarial gains of £11.5m (2005: £7.2m loss) 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 Group's transition to IFRS amounted to a gain of £4.3m.

Company net actuarial gains of £11.6m (2005: £7.1m) 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 gain of £4.5m.

The actual return on plan assets was £8.3m (2005: £16.0m).

26. Commitments

(a) Capital commitments

	Group		Company	
	2006 £m	2005 £m	2006 £m	2005 £m
Contracted for but not provided	4.6	0.2	4.6	0.2

(b) Operating lease commitments

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

	Land and buildings 2006 £m	Other 2006 £m	Land and buildings 2005 £m	Other 2005 £m
Group				
Within one year	9.7	4.8	8.4	6.3
Between two and five years	27.2	8.8	29.1	11.8
After five years	47.7	0.1	53.8	1.0
	84.6	13.7	91.3	19.1

26 Commitments (continued)

Company	Land and buildings 2006 £m	Other 2006 £m	Land and buildings 2005 £m	Other 2005 £m
Within one year	7 8	0 8	6 6	1 7
Between two and five years	22 1	0 4	24 0	1 0
After five years	43 5	–	48 6	–
	73 4	1 2	79 2	2 7

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 (2005: £0.2m).

During the year ended 31 December 2006, the Group and Company has entered into certain sale and leaseback arrangements under normal commercial terms in respect of certain plant and equipment 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:

	2006 £m	2005 £m
Loan amounts owed by parent undertakings	106 7	67 4
Loan amounts owed to parent undertakings	(30 1)	(46 2)
Other payables owed to parent undertakings – group tax relief	(46 8)	(27 0)
Trade and other receivables owed by subsidiary undertakings	11 0	14 0
Trade and other payables owed to group and subsidiary undertakings	(64 8)	(38 5)
Interest payable to parent undertaking	(3 8)	(8 6)
Sales to subsidiary undertakings	6 8	6 1
Purchases from subsidiary undertakings	(36 1)	(30 6)
Purchases of property, plant and equipment from subsidiary undertakings	(0 1)	(0 5)

Key management compensation is disclosed in note 24, pension commitments are disclosed in note 25 and acquisitions are disclosed in note 23.

F J Blassberg, a partner of Debevoise & Plimpton LLP, is married to J L Rice, the chairman of Clayton Dubilier & Rice and during 2006, a director of the Company and other group undertakings. During the year ended 31 December 2006, Debevoise & Plimpton LLP received fees and disbursements totalling £1.3m (2005: £0.2m) from the group and parent undertakings.

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, an exempted limited partnership registered in the Cayman Islands and a fund managed by Clayton, Dubilier & Rice.

The parent undertaking of the smallest group to consolidate these financial statements is Brake Bros Acquisition 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.

29. Post balance sheet events

On 21 March 2007, the Chancellor announced that the full rate of corporation tax will be reduced from 30% to 28% from April 2008 and also announced was the phased withdrawal of industrial buildings allowances from April 2008. IAS 12 requires deferred tax assets and liabilities to be measured at the tax rates expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted by the balance sheet date. However, for periods ending prior to the date of the announcement, the change in rates is not substantively enacted and is a non-adjusting post balance sheet event.

The estimated impact of these changes would be to reduce the deferred tax asset at 31 December 2006 by £1.7m from £35.1m to £33.4m.

