BRAKES
Quality food for caterers

Annual Report – Brake Bros Limited

For the year ended 31 December 2003

Contents

Directors' report

The Directors submit their report and the audited financial statements for the year ended 31 December 2003.

Principal activity and business review

The principal activity of the Group is the specialist supply of frozen, chilled and ambient foods to the catering industry.

On 31 December 2002 and 1 January 2003 respectively, certain trades, assets and liabilities of the Company's subsidiary undertakings, Brake Bros Foodservice Limited and Watson & Philip Cearns & Brown (South East) Limited, were transferred to the Company.

The results for the year are set out in the consolidated profit and loss account on page 6. As analysed further in note 3 to the financial statements, exceptional costs have been incurred during the year in relation to restructuring in the UK and Continental Europe and in connection with a review of property and other asset values.

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

Dividends

No interim dividends (2002: £nil) have been paid and the Directors do not recommend a final dividend (2002: £nil).

Directors and their interests

The Directors who held office during the year were as follows:

M I Player	
J W Rogers	
R J Schnall	
P S Kitchener	Resigned 6 October 2003
W P Driscoll	Appointed 23 September 2003
P Venables	Appointed 23 September 2003

Since the year end P Venables and M I Player resigned as Directors on 23 January 2004 and 26 January 2004 respectively, and D B Harte was appointed as a Director on 26 January 2004.

The interests of the Directors at the end of the year in the shares and share options of the Company's ultimate parent Brake Bros Holding I Limited are set out in the annual report for that company.

None of the Directors at the end of the financial year had any other interests in the ordinary shares, share options 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, apart from M I Player who held 107,010 £1 nominal loan notes (2002: 107,010) in the Company's parent undertaking, Brake Bros Acquisition PLC, at the end of the financial year.

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.

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

Creditor payment policy

The Group's policy is generally to agree terms of payment with suppliers and to settle invoices accordingly. The practice on payment of creditors has been quantified under the terms of the Statement of Payment Practice Regulations. The number of days' supplier invoices included in trade creditors at 31 December 2003 represented 55 days (2002: 57 days) of annual purchases for the Group. The Company did not trade during the year ended 31 December 2002, however the number of day's supplier invoices included in trade creditors at 31 December 2003 represented 59 days of annual purchases for the Company.

Donations

The Group actively supports and encourages charitable activity in support of the community. In addition, direct donations to charitable organisations amounting to £13,000 (2002: £8,000) were made in the year. No donations are made to any political party.

Auditors

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

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

A J Whitehead
Secretary
19 April 2004

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. The Directors are required to prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company or the Group will continue in business.

The Directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 December 2003 and that applicable accounting standards have been followed.

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
19 April 2004

Independent Auditors' report to the members of Brake Bros Limited

We have audited the financial statements which comprise the consolidated profit and loss account, the consolidated balance sheet, the Company balance sheet, the consolidated cash flow statement, the statement of Group total recognised gains and losses, the accounting policies and the related notes.

Respective responsibilities of Directors and Auditors

The Directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards 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 United Kingdom Auditing Standards issued by the Auditing Practices Board. 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 are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information or 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 the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the Directors' report.

Basis of audit opinion

We conducted our audit in accordance with auditing standards 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 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 financial statements give a true and fair view of the state of affairs of the Company and the Group at 31 December 2003 and of the loss and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Gatwick
19 April 2004

Consolidated profit and loss account

For the year ended 31 December 2003

	Notes	Before goodwill amortisation and exceptional items £m	Goodwill amortisation and exceptional items £m	Total 2003 £m	Total 2002 £m
Turnover	2	1,545.5	–	**1,545.5**	1,457.7
Operating costs		(1,488.7)	(85.1)	**(1,573.8)**	(1,448.4)
Operating (loss)/profit	2	56.8	(85.1)	**(28.3)**	9.3
Interest receivable	6	0.5	–	**0.5**	0.8
Interest payable and similar charges	7	(8.3)	–	**(8.3)**	(9.2)
(Loss)/profit on ordinary activities before taxation		49.0	(85.1)	**(36.1)**	0.9
Taxation on (loss)/profit on ordinary activities	8	(14.6)	16.0	**1.4**	(9.3)
Loss on ordinary activities after taxation		34.4	(69.1)	**(34.7)**	(8.4)
Equity minority interests	10	0.1	–	**0.1**	0.3
Loss for the financial year	21	34.5	(69.1)	**(34.6)**	(8.1)

The above activities relate entirely to continuing operations.

There is no material difference between the reported (loss)/profit on ordinary activities before taxation and the equivalent historical cost amount.

Reconciliation of movements in shareholders' funds

For the year ended 31 December 2003

	2003 **£m**	2002 £m
Loss for the financial year	**(34.6)**	(8.1)
Currency translation differences on foreign currency net investments	**4.9**	2.0
Other reserves movement	**0.7**	–
New share capital issued	**–**	7.6
Net (reduction)/addition to shareholders' funds	**(29.0)**	1.5
Opening shareholders' funds	**161.9**	160.4
Closing shareholders' funds	**132.9**	161.9

Statement of Group total recognised gains and losses

For the year ended 31 December 2003

	2003 **£m**	2002 £m
Loss for the financial year	**(34.6)**	(8.1)
Currency translation differences on foreign currency net investments	**4.9**	2.0
Total recognised losses for the year	**(29.7)**	(6.1)

Consolidated balance sheet

As at 31 December 2003

	Notes	2003 £m	2003 £m	2002 £m	2002 £m
Fixed assets					
Intangible assets	11		**112.4**		119.1
Tangible assets	12		**165.7**		207.6
			278.1		326.7
Current assets					
Stocks	14	**58.4**		64.3	
Debtors	15	**176.7**		180.7	
Cash at bank and in hand		**59.5**		38.3	
		294.6		283.3	
Creditors: amounts falling due *within one year*	16	**(419.5)**		(423.8)	
Net current liabilities			**(124.9)**		(140.5)
Total assets less current liabilities			**153.2**		186.2
Creditors: amounts falling due after more than one year	17		**(17.4)**		(10.4)
Provisions for liabilities and charges	18		**–**		(11.1)
Equity minority interests	10		**(2.9)**		(2.8)
Net assets	2		**132.9**		161.9
Capital and reserves					
Called up share capital	20		**5.4**		5.4
Share premium account	21		**30.8**		30.8
Other reserves	21		**0.7**		–
Profit and loss account	21		**96.0**		125.7
Equity shareholders' funds			**132.9**		161.9

These financial statements were approved by the Board of Directors on 19 April 2004.
Signed on behalf of the Board of Directors by:

W P Driscoll
Director

Company balance sheet

As at 31 December 2003

	Notes	2003 £m	2003 £m	2002 £m	2002 £m
Fixed assets					
Intangible assets	11		**16.1**		17.1
Tangible assets	12		**116.0**		151.1
Investments	13		**204.3**		206.4
			336.4		374.6
Current assets					
Stocks	14	**38.0**		40.5	
Debtors	15	**131.3**		105.5	
Cash at bank and in hand		**47.3**		30.7	
		216.6		176.7	
Creditors: amounts falling due within one year	16	**(348.6)**		(331.1)	
Net current liabilities			**(132.0)**		(154.4)
Total assets less current liabilities			**204.4**		220.2
Creditors: amounts falling due after more than one year	17		**(15.1)**		(8.8)
Provisions for liabilities and charges	18		**–**		(11.1)
Net assets			**189.3**		200.3
Capital and reserves					
Called up share capital	20		**5.4**		5.4
Share premium account	21		**30.8**		30.8
Acquisition reserve	21		**10.9**		10.9
Other reserves	21		**0.7**		–
Profit and loss account	21		**141.5**		153.2
Equity shareholders' funds			**189.3**		200.3

These financial statements were approved by the Board of Directors on 19 April 2004.
Signed on behalf of the Board of Directors by:

W P Driscoll
Director

Consolidated cash flow statement

For the year ended 31 December 2003

	Notes	2003 £m	2003 £m	2002 £m	2002 £m
Net cash inflow from operating activities	22		**63.2**		75.6
Returns on investments and servicing of finance					
Interest received		**0.5**		0.8	
Interest paid		**(8.2)**		(7.4)	
Finance lease interest paid		**(1.0)**		(0.8)	
Net cash flow for returns on investments and servicing of finance			**(8.7)**		(7.4)
Taxation			**(3.0)**		(5.8)
Capital expenditure and financial investment					
Purchase of tangible fixed assets		**(8.3)**		(30.9)	
Sale of tangible fixed assets		**5.7**		3.4	
Net cash flow for capital expenditure and financial investment			**(2.6)**		(27.5)
Acquisitions					
Purchase of subsidiary undertakings and businesses	23		**1.9**		(36.7)
Equity dividend paid			**–**		(6.8)
Cash flow before management of liquid resources			**50.8**		(8.6)
Management of liquid resources			**(23.5)**		(16.6)
Financing					
Issue of ordinary share capital		**–**		7.6	
Loan drawdowns		**–**		46.6	
Loan repayments		**(1.9)**		(186.9)	
Loans from parent undertakings		**(19.5)**		155.7	
Finance lease capital repayments		**(3.3)**		(3.9)	
Net cash flow from financing			**(24.7)**		19.1
Increase/(decrease) in cash in the year			**2.6**		(6.1)
Reconciliation of net cash flow to movement in net debt					
Increase/(decrease) in cash in the year			**2.6**		(6.1)
Cash outflow/(inflow) from change in debt			**24.7**		(11.5)
Cash outflow from change in liquid resources			**23.5**		16.6
Change in net debt resulting from cash flows			**50.8**		(1.0)
Inception of finance leases			**(12.9)**		–
Loans and finance leases of subsidiaries acquired	23		**–**		(1.1)
Loan notes issued as settlement for acquisitions	23		**–**		(1.2)
Exchange movements			**(0.3)**		(2.3)
Movement in net debt in the year			**37.6**		(5.6)
Net debt at 1 January			**(137.8)**		(132.2)
Closing net debt	22		**(100.2)**		(137.8)

Accounting policies

These financial statements have been prepared in accordance with applicable accounting standards. The particular accounting policies which have been applied consistently are described as follows:

Accounting convention
The financial statements have been prepared in accordance with the historical cost convention.

Basis of consolidation
These financial statements consolidate the financial statements of the Company and its subsidiary undertakings.

Tangible fixed assets
No depreciation is provided on freehold land.

Depreciation is provided on all other tangible fixed assets 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	– between 3 and 5 years

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

Goodwill
Purchased goodwill on acquisitions made since 1 January 1998 is capitalised and amortised over its useful economic life. This is presumed to be 20 years for acquisitions of businesses unless circumstances change significantly, resulting in an impairment of the carrying value.

Goodwill arising on acquisitions made before 1 January 1998 has been written off against reserves. On a disposal, this goodwill is written back and the profit or loss is adjusted accordingly.

Stocks
Stocks are valued at the lower of cost and net realisable value.

Cash at bank
Cash at bank is the statement balance at the balance sheet date. Outstanding cheques and deposits are shown in creditors and debtors respectively.

Turnover
Turnover is the amount derived from the provision of goods and services falling within the Group's ordinary activities after deduction of value added tax and discounts given to customers.

Pension schemes
The Group operated a defined benefit funded pension scheme covering the majority of its employees. This scheme was made fully paid up at 31 December 2003 and the employees had the option to transfer into the defined contribution scheme. Contributions are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the Group. In addition to SSAP 24 disclosures, disclosures have been presented in the notes to the financial statements in accordance with FRS 17 ("Retirement benefits") transitional arrangements.

The Group operates a defined contribution scheme. The amounts charged to the profit and loss account are based on the contributions payable in the period.

Leasing
Assets acquired under finance leases are included in the balance sheet as tangible fixed assets and depreciated over their estimated useful lives. 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 profit and loss account.

Rentals paid under operating leases are charged to the profit and loss account over the term of the lease.

Foreign currencies
The assets and liabilities of foreign subsidiary companies are translated into sterling at the rates of exchange ruling at the year end. Gains or losses resulting from the realignment of opening foreign currency balances to the year end rates and any related loans are treated as movements on reserves.

The results of foreign subsidiary companies are translated into sterling at the average rates of exchange for the year. Gains or losses resulting from the translation of these results from the average rates to the year end rates are treated as movements on reserves. All other exchange differences are dealt with through the profit and loss account.

Capitalisation of interest
Interest incurred on borrowings used to finance major depot developments is capitalised.

Deferred taxation
Full provision is made for deferred taxation in respect of all timing differences that have originated but not reversed by the balance sheet date, using the incremental liability approach. The Group has chosen not to adopt a policy of discounting the deferred tax provision. Deferred tax assets are recognised to the extent that they are regarded as recoverable.

Notes to the financial statements

1. Basis of preparation of the financial statements

These financial statements present the results of the Group for the year ended 31 December 2003 together with the consolidated and Company balance sheets at that date.

At the year end, the Group had net current liabilities amounting to £124.9m (2002: £140.5m). This situation arises mainly due to the fact that loans owed to parent undertakings amounting to £136.2m (2002: £155.7m) have been shown as due within the next year. The parent undertakings have confirmed that they will only require repayment of these funds when the Group has the ability to repay the loans.

On this basis, the Directors consider it appropriate to prepare the financial statements on the going concern basis.

2. Turnover, operating (loss)/profit and net operating assets

The Group's turnover and operating (loss)/profit are derived from the supply of frozen, chilled and ambient foods to the catering industry.

	Turnover		Operating (loss)/profit	
	2003	2002	**2003**	2002
	£m	£m	**£m**	£m
Geographical analysis of turnover and operating (loss)/profit by origin and destination				
Continuing operations				
United Kingdom	**1,275.1**	1,175.6	**(4.9)**	24.9
Continental Europe	**270.4**	282.1	**(23.4)**	(15.6)
	1,545.5	1,457.7	**(28.3)**	9.3

	2003	2002
	£m	£m
Geographical analysis of net operating assets		
United Kingdom	**165.6**	238.0
Continental Europe	**62.2**	77.1
Total net operating assets	**227.8**	315.1
Net debt	**(100.2)**	(137.8)
Corporation tax and deferred tax	**5.3**	(15.4)
Net assets	**132.9**	161.9

3. Operating (loss)/profit

	2003 £m	2002 £m
Turnover	**1,545.5**	1,457.7
Cost of sales	**(1,433.8)**	(1,355.4)
Gross profit	**111.7**	102.3
Administrative expenses	**(54.9)**	(54.4)
Exceptional costs	**(77.8)**	(32.7)
Goodwill amortisation	**(7.3)**	(5.9)
Total administrative expenses	**(140.0)**	(93.0)
Group operating (loss)/profit	**(28.3)**	9.3
(Loss)/profit on ordinary activities before taxation is arrived at after charging/(crediting):		
Goodwill amortisation	**7.3**	5.9
Exceptional costs		
- strategic review costs	**–**	9.6
- reorganisation costs	**19.7**	23.1
- impairment of tangible fixed assets	**40.1**	–
- other non-recurring items	**18.0**	–
Depreciation		
- owned assets	**20.9**	22.4
- assets held under finance leases	**1.5**	1.9
Profit on sale of tangible fixed assets	**(0.3)**	(0.1)
Hire of equipment	**7.6**	7.1
Rentals under other operating leases	**11.0**	13.8
Auditors' remuneration – statutory audit services	**0.4**	0.4
Auditors' remuneration – other services	**0.3**	0.2

Exceptional costs have been incurred in relation to restructuring in the UK and Continental Europe and in connection with a review of property and other asset values. The restructuring costs include branch reorganisation costs, as well as staff redundancy costs. Where staff have been notified of their redundancy, a full provision is made for their future costs from the date of notification, and these costs are classified as exceptional items. In respect of the review of property and other asset values, where an impairment in value has been identified, an impairment loss has been recognised and included within exceptional costs. In addition, certain other items of a non-recurring nature, such as dilapidations, have been identified which have also been included within exceptional costs.

Auditors' remuneration – other services, stated above, comprises further assurance services of £0.2m (2002: £nil) and tax compliance services of £0.1m (2002: £0.2m).

The auditors' remuneration in respect of statutory audit services to the Company amounted to £0.2m (2002: £0.1m).

Notes to the financial statements

4. Employees and Directors' emoluments

The average number employed by the Group, which included Directors, within each category of persons was:

	2003 Number	2002 Number
Distribution, manufacturing and selling	**7,853**	7,827
Administration	**1,108**	1,279
	8,961	9,106

	2003 £m	2002 £m
The costs incurred in respect of these employees were:		
Wages and salaries	**179.0**	181.9
Social security costs	**25.2**	24.6
Other pension costs	**4.4**	5.3
	208.6	211.8

Directors' emoluments

	2003 £'000	2002 £'000
Aggregate emoluments	**872**	2,454
Company pension contributions to money purchase schemes	**501**	192
Sums payable to third parties for directors' services	**-**	45
Compensation for loss of office	**142**	1,137

Retirement benefits are accruing to 1 director (2002: 2) under defined benefit pension arrangements and to 1 director (2002: 1) under money purchase pension top up arrangements. Compensation for loss of office is in respect of 1 director (2002: 4).

Emoluments paid to the highest paid director are as follows:

	2003 £'000	2002 £'000
Aggregate emoluments and benefits	**311**	922
Company pension contributions to money purchase schemes	**501**	192
Defined benefit schemes:		
Accrued pension at year end	**27**	17

5. Pension schemes

The Group operated a number of pension schemes for its UK employees; the assets of all schemes being held separately from those of the Group.

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 cost of funding benefits is charged over expected service lives based upon actuarial advice.

The Brake Bros plc Pension Scheme was actuarially valued at 6 April 2002, the third anniversary of the previous valuation of the Cearns & Brown scheme, using the projected unit credit method. The market value of the assets was £74m and it was 88% funded on an ongoing basis, the differential between investment return and pensionable earnings was 2.9% pre retirement and 1.5% post retirement. The Scheme's MFR funding level at 6 April 2002 was 101%. The charge to the consolidated profit and loss account for the year was £4.4m (2002: £4.4m).

The Scheme actuary has calculated the Scheme's assets and liabilities based on the Brake Bros plc Pension Scheme 2002 full valuation updated to 31 December 2003, in accordance with the provisions of FRS 17. The major financial assumptions used were:

	At 31 December 2003 per annum %	At 31 December 2002 per annum %	At 31 December 2001 per annum %
Price inflation	**2.8**	2.3	2.5
General salary and wage inflation	**3.8**	3.3	3.5
Pension increase rate	**2.8**	2.3	2.5
Discount rate	**5.5**	5.7	5.9

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

	2003		2002		2001	
	Long term rate of return expected per annum %	**Value £m**	Long term rate of return expected per annum %	Value £m	Long term rate of return expected per annum %	Value £m
Assets						
Equities	**7.9**	**52.5**	7.5	46.4	7.5	53.8
Bonds	**5.5**	**21.4**	5.7	10.7	5.9	10.1
Other assets	**7.9**	**2.9**	7.5	4.3	5.5	4.0
Total market value of assets		**76.8**		61.4		67.9
Present value of scheme liabilities		**(108.5)**		(94.5)		(79.0)
Deficit in scheme		**(31.7)**		(33.1)		(11.1)
Related deferred tax asset		**9.5**		9.9		3.4
Net pension liability		**(22.2)**		(23.2)		(7.7)

Had FRS 17 been adopted in full, the following amounts would have been included in these financial statements:

	2003 £m	2002 £m
Net assets		
Net assets	**132.9**	161.9
FRS 17 pension liability	**(22.2)**	(23.2)
Net assets including FRS 17 pension liability	**110.7**	138.7
Reserves		
Profit and loss reserve	**96.0**	125.7
FRS 17 pension liability	**(22.2)**	(23.2)
Profit and loss reserve including FRS 17 pension liability	**73.8**	102.5

Notes to the financial statements

5. Pension schemes (continued)

	Year ended 31 December 2003 £m	Year ended 31 December 2002 £m
Analysis of the amount charged to operating profit		
Current service cost	**(3.5)**	(4.6)
Past service cost	**–**	–
Gains on settlements and curtailments	**10.3**	–
Total operating credit/(charge)	**6.8**	(4.6)
Analysis of the amount credited to other finance income		
Expected return on pension scheme assets	**4.6**	5.1
Interest on pension scheme liabilities	**(5.5)**	(4.9)
Net return	**(0.9)**	0.2
Net credit/(charge) for year	**5.9**	(4.4)

Analysis of the amount recognised in statement of Group total recognised gains and losses (STRGL)	Year ended 31 December 2003 £m	Year ended 31 December 2002 £m
Actual return less expected return on pension scheme assets	**6.1**	(18.2)
Experience gains and losses arising on the scheme liabilities	**(0.2)**	(3.1)
Changes in financial assumptions underlying the present value of the scheme liabilities	**(14.8)**	(0.7)
Actuarial loss recognised in STRGL	**(8.9)**	(22.0)

Experience gains and losses	Year ended 31 December 2003	Year ended 31 December 2002
Difference between the expected and actual return on scheme assets:	**£6.1m**	£(18.2)m
Percentage of scheme assets at 31 December	**8%**	(30%)
Experience gains and losses on scheme liabilities:	**£(0.2)m**	£(3.1)m
Percentage of the present value of scheme liabilities at 31 December	**(0%)**	(3%)
Changes in assumptions underlying scheme liabilities:	**£(14.8)m**	£(0.7)m
Percentage of the present value of scheme liabilities at 31 December	**(14%)**	(0.7%)
Total actuarial loss recognised in statement of total recognised gains and losses:	**£(8.9)m**	£(22.0)m
Percentage of the present value of scheme liabilities at 31 December	**(8%)**	(23%)

Movement in deficit during the year

	2003 £m	2002 £m
Deficit in scheme at 1 January	**(33.1)**	(11.1)
Movement in year:		
Current service costs	**(3.5)**	(4.6)
Gains on settlements and curtailments	**10.3**	–
Contributions	**4.4**	4.4
Other finance (cost)/income	**(0.9)**	0.2
Actuarial loss	**(8.9)**	(22.0)
Deficit in scheme at 31 December	**(31.7)**	(33.1)

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

6. Interest receivable

	2003 £m	2002 £m
Banks	**0.4**	0.7
Other sources	**0.1**	0.1
	0.5	0.8

7. Interest payable and similar charges

	2003 £m	2002 £m
Bank loans	**–**	5.3
Loans from parent undertakings	**7.2**	2.8
Other loans	**0.1**	0.3
Finance leases	**1.0**	0.8
Net interest payable	**8.3**	9.2
The above includes interest in respect of borrowings wholly repayable within five years	**7.7**	9.1

Notes to the financial statements

8. Taxation on (loss)/profit on ordinary activities

	2003 £m	2002 £m
Taxation is based on the (loss)/profit for the year and comprises:		
Current tax		
UK corporation tax at a rate of 30% (2002: 30%)	**19.9**	13.6
UK corporation tax on exceptional items	**(5.1)**	(4.6)
Adjustments to prior year provisions:		
UK corporation tax	**(0.6)**	0.1
Overseas tax	**(0.2)**	–
Total current tax	**14.0**	9.1
Deferred taxation on current year	**(4.5)**	0.2
Deferred taxation on exceptional items	**(10.9)**	–
	(1.4)	9.3

A reconciliation of the current tax charge for the year compared to the standard rate of corporation tax is summarised below:

	2003 £m	2002 £m
(Loss)/profit on ordinary activities before tax	**(36.1)**	0.9
At 30% (2002: 30%)	**(10.8)**	0.3
Effects of:		
Goodwill amortisation and other adjustments	**5.4**	3.6
Capital allowances below/(in excess of) depreciation	**15.4**	(0.2)
Overseas tax losses not giving rise to current period relief	**4.8**	5.3
Overseas taxation	**(0.2)**	–
Adjustments to tax charge in respect of previous years	**(0.6)**	0.1
	14.0	9.1

9. (Loss)/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 a profit and loss account.

The Company's loss for the financial year amounted to £12.0m (2002: profit £137.6m).

10. Equity minority interests

	2003 £m	2002 £m
At 1 January	**2.8**	3.6
Exchange adjustment	**0.2**	0.2
Acquisitions	**–**	(0.7)
Proportion of loss on ordinary activities after taxation	**(0.1)**	(0.3)
At 31 December	**2.9**	2.8

11. Intangible assets

(a) Group	Goodwill £m
Cost	
At 1 January 2003	133.6
Exchange adjustment	2.7
Acquisitions (see note 23)	(1.9)
At 31 December 2003	**134.4**
Amortisation	
At 1 January 2003	14.5
Exchange adjustment	0.2
Charge for the year	7.3
At 31 December 2003	**22.0**
Net book value	
At 31 December 2003	**112.4**
At 31 December 2002	119.1

(b) Company	Purchased goodwill £m
Cost	
At 1 January and 31 December 2003	**21.3**
Amortisation	
At 1 January 2003	4.2
Charge for the year	1.0
At 31 December 2003	**5.2**
Net book value	
At 31 December 2003	**16.1**
At 31 December 2002	17.1

The purchased goodwill relates to businesses acquired and is being amortised over 20 years from the date of the original acquisitions.

Notes to the financial statements

12. Tangible assets

(a) Group	Land and buildings £m	Motor vehicles £m	Plant and equipment £m	Information technology £m	Total £m
Cost					
At 1 January 2003	133.3	79.2	100.2	45.0	357.7
Exchange adjustment	3.5	0.9	1.2	1.0	6.6
Additions	5.9	7.3	3.6	6.5	23.3
Reclassification	–	1.3	(0.2)	0.3	1.4
Disposals	(7.8)	(10.2)	(8.2)	(10.6)	(36.8)
At 31 December 2003	**134.9**	**78.5**	**96.6**	**42.2**	**352.2**
Depreciation					
At 1 January 2003	25.4	38.0	63.2	23.5	150.1
Exchange adjustment	1.5	0.6	0.9	0.7	3.7
Charge for the year	2.8	8.4	5.1	6.1	22.4
Reclassification	–	1.5	(0.4)	0.3	1.4
Exceptional charge for the year (see note 3)	23.4	1.1	9.0	6.6	40.1
Disposals	(3.2)	(9.4)	(7.9)	(10.7)	(31.2)
At 31 December 2003	**49.9**	**40.2**	**69.9**	**26.5**	**186.5**
Net book value					
At 31 December 2003	**85.0**	**38.3**	**26.7**	**15.7**	**165.7**
At 31 December 2002	107.9	41.2	37.0	21.5	207.6

The net book value of the Group's fixed assets includes the following held under finance leases: land and buildings £6.6m (2002: £5.9m), motor vehicles £16.7m (2002: £11.8m), plant and equipment £nil (2002: £0.4m) and information technology £3.6m (2002: £0.1m). At the year end the aggregate interest capitalised on land and buildings was £0.4m (2002: £0.5m) and on plant and equipment was £0.2m (2002: £0.2m).

Land and buildings comprise:

	2003 £m	2002 £m
Cost		
Freehold	**122.5**	121.0
Long leasehold	**10.6**	9.4
Short leasehold	**1.8**	2.9
	134.9	133.3
Depreciation		
Freehold	**45.4**	22.2
Long leasehold	**3.4**	1.3
Short leasehold	**1.1**	1.9
	49.9	25.4

12. Tangible assets (continued)

(b) Company	Land and buildings £m	Motor vehicles £m	Plant and equipment £m	Information technology £m	Total £m
Cost					
At 1 January 2003	89.0	59.5	72.5	30.6	251.6
Transfers from subsidiary undertaking	0.5	2.7	0.5	–	3.7
Additions	5.5	5.9	1.7	4.3	17.4
Reclassification	–	1.3	–	0.1	1.4
Disposals	(6.4)	(6.6)	(3.7)	(6.9)	(23.6)
At 31 December 2003	**88.6**	**62.8**	**71.0**	**28.1**	**250.5**
Depreciation					
At 1 January 2003	11.8	26.2	44.5	18.0	100.5
Transfers from subsidiary undertaking	0.5	2.6	0.5	–	3.6
Charge for the year	1.1	6.2	2.4	3.5	13.2
Reclassification	–	1.5	(0.2)	0.1	1.4
Exceptional charge for the year	20.3	0.8	8.8	4.5	34.4
Disposals	(1.9)	(6.2)	(3.5)	(7.0)	(18.6)
At 31 December 2003	**31.8**	**31.1**	**52.5**	**19.1**	**134.5**
Net book value					
At 31 December 2003	**56.8**	**31.7**	**18.5**	**9.0**	**116.0**
At 31 December 2002	77.2	33.3	28.0	12.6	151.1

On 1 January 2003 the fixed assets of the Company's subsidiary undertaking Watson & Philip Cearns & Brown (South East) Limited were transferred to the Company. The net book value of the Company's fixed assets includes the following held under finance leases: motor vehicles £16.7m (2002: £11.6m), plant and equipment £nil (2002: £0.4m) and information technology £1.8m (2002: £0.1m).

Land and buildings comprise:

	2003 £m	2002 £m
Cost		
Freehold	**76.8**	77.3
Long leasehold	**10.4**	9.3
Short leasehold	**1.4**	2.4
	88.6	89.0
Depreciation		
Freehold	**27.5**	8.9
Long leasehold	**3.4**	1.2
Short leasehold	**0.9**	1.7
	31.8	11.8

13. Investments

Company

	Investments in subsidiary undertakings (equity) At cost £m	Provision £m	Net book value £m
At 1 January 2003	229.3	(22.9)	206.4
Acquisition of subsidiary undertakings (see note 23)	(2.1)	–	(2.1)
At 31 December 2003	**227.2**	**(22.9)**	**204.3**

The principal subsidiary undertakings are Brake Bros Foodservice Limited, M&J Seafood Limited, W. Pauley & Co Limited and Brake France Service SAS and are involved in the supply of frozen, chilled and ambient foods to the catering industry. All subsidiary undertakings are wholly owned, with the exception of Carigel SA, a 73% owned subsidiary undertaking of Brake France Service SAS. Brake Bros Foodservice Limited, M&J Seafood 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.

Notes to the financial statements

14. Stocks

	Group 2003 £m	Group 2002 £m	Company 2003 £m	Company 2002 £m
Raw materials and consumables	**1.2**	1.3	**0.9**	0.8
Finished goods and goods for resale	**57.2**	63.0	**37.1**	39.7
	58.4	64.3	**38.0**	40.5

15. Debtors

	Group 2003 £m	Group 2002 £m	Company 2003 £m	Company 2002 £m
Trade debtors	**159.0**	159.7	**103.3**	95.1
Amounts owed by group undertakings	–	–	**21.2**	–
Other debtors	**7.2**	11.1	**0.5**	6.0
Deferred tax asset (falling due after more than one year)	**4.3**	–	**3.6**	–
Overseas taxation (falling due after more than one year)	**1.9**	1.5	–	–
Prepayments	**4.3**	8.4	**2.7**	4.4
	176.7	180.7	**131.3**	105.5

16. Creditors: amounts falling due within one year

	Group 2003 £m	Group 2002 £m	Company 2003 £m	Company 2002 £m
Bank overdrafts	–	4.9	–	–
Amounts owed to group undertakings	**18.8**	4.8	**32.0**	3.7
Loans owed to parent undertakings	**136.2**	155.7	**136.2**	155.7
Bank loans and loan notes (note 17)	**0.7**	2.6	**0.7**	2.3
Finance lease obligations (note 17)	**5.4**	2.5	**4.2**	2.2
Trade creditors	**200.6**	200.2	**147.2**	139.4
Corporation tax	**0.9**	4.3	**0.8**	3.6
Other taxes and social security	**16.3**	11.0	**4.0**	4.2
Other creditors	**19.6**	28.4	**7.9**	16.6
Accruals	**21.0**	9.4	**15.6**	3.4
	419.5	423.8	**348.6**	331.1

The loans owed to the parent undertakings have no fixed date for repayment. Interest is payable at a rate linked to LIBOR.

17. Creditors: amounts falling due after more than one year

	Group		Company	
	2003	2002	**2003**	2002
	£m	£m	**£m**	£m
Loan notes	**0.7**	2.3	**0.7**	2.3
Bank loans	**–**	0.3	–	–
Loans owed to parent undertakings	**136.2**	155.7	**136.2**	155.7
Finance lease obligations	**22.8**	12.9	**19.3**	11.0
	159.7	171.2	**156.2**	169.0
Less: amounts falling due within one year	**(142.3)**	(160.8)	**(141.1)**	(160.2)
	17.4	10.4	**15.1**	8.8

Of the loan notes £0.4m (2002: £1.8m) are due to the vendors of Country Choice Foods (Group) Limited at an interest rate of one half percent above Barclays Bank plc base rate and £0.3m (2002: £0.5m) are due to the vendors of Stockflag Limited, the parent of M&J Seafood Limited at an interest rate of one half percent below LIBOR.

The loan notes due to the vendors of Country Choice Foods are repayable in full by 30 June 2004 or earlier at the option of the vendors and the loan notes due to the vendors of Stockflag are repayable in full on 10 March 2010 or earlier at the option of the vendors.

The loan notes due to the vendors of Stockflag are guaranteed by Barclays Bank plc.

Of the Group bank loans and finance leases totalling £22.8m (2002: £13.2m), £7.2m (2002: £4.8m) incur fixed rates of interest between 3.8% and 12.0% with the remainder at variable rates. The total amount of bank loans and finance leases repayable by instalments with at least one instalment not due for more than five years is £12.8m (2002: £9.1m).

Of the Company finance leases totalling £19.3m (2002: £11.0m), £3.8m (2002: £3.1m) incur fixed rates of interest between 5.3% and 7.2% with the remainder at variable rates. The total amount of finance leases repayable by instalments with at least one instalment not due for more than five years is £11.7m (2002: £7.9m).

In respect of the loans owed to parent undertakings, certain liabilities of the parent undertakings are secured by way of a fixed and floating charge over the assets of the Group.

Finance leases are repayable as follows:

	Group		Company	
	2003	2002	**2003**	2002
	£m	£m	**£m**	£m
Between one and two years	**4.8**	2.6	**3.9**	2.2
Between two and five years	**9.4**	4.8	**8.4**	4.3
After five years	**3.2**	3.0	**2.8**	2.3
	17.4	10.4	**15.1**	8.8

18. Provisions for liabilities and charges

	Group		Company	
	2003	2002	**2003**	2002
	£m	£m	**£m**	£m
Deferred taxation				
At 1 January	**11.1**	10.9	**11.1**	–
Transfers from subsidiary undertaking	**–**	–	**–**	11.1
(Credit)/charge for the year	**(15.4)**	0.2	**(14.7)**	–
Reclassification to debtors (see note 15)	**4.3**	–	**3.6**	–
At 31 December	**–**	11.1	**–**	11.1

The source of deferred tax balances is capital allowances in excess of/below depreciation.

There are unrecognised deferred tax assets of £10.3m (2002: £5.5m) in respect of unutilised tax losses in Continental Europe.

Notes to the financial statements

19. Commitments

(a) Capital commitments

	Group		Company	
	2003 £m	2002 £m	**2003 £m**	2002 £m
Contracted for but not provided	**14.8**	1.3	**14.8**	1.2

(b) Operating lease commitments
The commitments during the following year in respect of non-cancellable operating leases are as follows:

Group	**2003 Land and buildings £m**	**2003 Other £m**	2002 Land and buildings £m	2002 Other £m
Leases expiring:				
Within one year	**0.5**	**2.8**	0.1	1.7
Between two and five years	**1.6**	**5.1**	1.8	6.9
After five years	**4.7**	**1.0**	4.3	1.3
	6.8	**8.9**	6.2	9.9

Company	**2003 Land and buildings £m**	**2003 Other £m**	2002 Land and buildings £m	2002 Other £m
Leases expiring:				
Within one year	**0.2**	**1.8**	0.1	1.0
Between two and five years	**0.9**	**2.5**	0.6	4.8
After five years	**4.2**	**–**	3.4	–
	5.3	**4.3**	4.1	5.8

20. Called up share capital

		2003 £m	2002 £m
Authorised			
58,000,000 ordinary shares of 10p		**5.8**	5.8
Allotted, called up and fully paid	Ordinary shares paid of 10p each	**£m**	£m
At 1 January	53,776,540	**5.4**	5.2
Allotted during year		**–**	0.2
At 31 December	53,776,540	**5.4**	5.4

21. Reserves and share premium account

(a) Group	Share premium account £m	Other reserves £m	Profit and loss account £m
At 1 January 2003	30.8	–	125.7
Loss for the year	–	–	(34.6)
Currency translation differences	–	–	4.9
Movement for the year	–	0.7	–
At 31 December 2003	**30.8**	**0.7**	**96.0**

During the year certain shares and share options in the ultimate parent Company have been granted to certain employees and Directors of the Group. In accordance with UITF 17 an amount of £0.7m has been charged to the Group profit and loss account, and has been included as an other reserve within shareholders' funds.

(b) Company	Acquisition reserve £m	Share premium account £m	Other reserves £m	Profit and loss account £m
At 1 January 2003	10.9	30.8	–	153.2
Movement for the year	–	–	0.7	–
Currency translation differences	–	–	–	0.3
Loss for the year	–	–	–	(12.0)
At 31 December 2003	**10.9**	**30.8**	**0.7**	**141.5**

The Company has taken advantage of the merger relief provisions of Section 131 of the Companies Act 1985 in respect of the shares issued for the acquisition of the subsidiary companies. Accordingly, the difference between the nominal value and fair value of shares issued has been credited to the acquisition reserve.

At the year end the cumulative amount of Group goodwill arising on acquisitions made before 1 January 1998 written off to consolidated reserves was £38.7m (2002: £38.7m).

22. Notes to the cash flow statement

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

	2003 £m	2002 £m
Operating (loss)/profit	**(28.3)**	9.3
Depreciation charge	**22.4**	24.3
Exceptional impairment charge	**40.1**	–
Goodwill amortisation	**7.3**	5.9
Profit on sale of tangible fixed assets	**(0.3)**	(0.1)
Decrease in stocks	**5.9**	11.9
Decrease in debtors	**8.8**	18.1
Increase in creditors	**7.3**	6.2
Net cash inflow from operating activities	**63.2**	75.6

(b) Exceptional items

Cash flows relating to operating exceptional items

Net cash inflow from operating activities includes £21.1m (2002: £22.1m) of cash outflows in respect of exceptional reorganisation costs.

22. Notes to the cash flow statement (continued)

(c) Analysis of net debt

	At 1 January 2003 £m	Cash flow £m	Inception of finance leases £m	Exchange movements £m	At 31 December 2003 £m
Cash available on demand	**16.5**	(2.3)	–	–	**14.2**
Bank overdrafts	**(4.9)**	4.9	–	–	**–**
	11.6	2.6	–	–	**14.2**
Debt due within one year	**(2.6)**	1.9	–	–	**(0.7)**
Loans from parent undertakings	**(155.7)**	19.5	–	–	**(136.2)**
Finance leases	**(12.9)**	3.3	(12.9)	(0.3)	**(22.8)**
Liquid resources	**21.8**	23.5	–	–	**45.3**
	(137.8)	50.8	(12.9)	(0.3)	**(100.2)**

Liquid resources comprise term deposits of less than one month (included within cash in hand and at bank in the balance sheet).

23. Purchase of subsidiary undertakings and businesses

During the year, the fair value and consideration adjustments in relation to the acquisition of W. Pauley & Co Limited on 2 October 2002 were finalised as detailed in the table below:

Total acquisitions:

	2003 Fair value to the Group £m	2002 Fair value to the Group £m
Net assets acquired		
Fixed assets	**–**	4.0
Working capital	**(0.2)**	2.0
Taxation	**–**	(0.9)
Cash	**–**	5.3
Loans and finance leases	**–**	(1.1)
Minority interest	**–**	0.7
	(0.2)	10.0
Goodwill	**(1.9)**	33.8
	(2.1)	43.8
Satisfied by		
Cash	**(1.9)**	42.0
Deferred consideration	**–**	0.4
Accrued expenses	**(0.2)**	0.2
Loan notes issued as settlement for acquisitions	**–**	1.2
	(2.1)	43.8

The net (inflow)/outflow of cash in respect of these acquisitions was as follows:

	2003 £m	2002 £m
Cash consideration	**(1.9)**	42.0
Cash of acquired subsidiary undertakings	**–**	(5.3)
	(1.9)	36.7

The net cash inflow of £1.9m comprises a consideration adjustment in relation to the acquisition of W. Pauley & Co Limited on 2 October 2002.

24. Related party transactions

Since the Company is a wholly owned subsidiary of Brake Bros Holding I Limited, it has taken advantage of the exemption offered by FRS 8 ("Related party disclosures") not to disclose transactions with other members of this group. There are no other related party transactions which require disclosure under FRS 8.

25. Ultimate parent company and controlling party

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

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

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

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