Company registration number 02035315

Brake Bros Limited

Annual report and financial statements

For the year ended 31 December 2012

Brake Bros Limited

Annual report and financial statements for the year ended 31 December 2012

Contents

Directors' report

The directors submit their annual report and the audited consolidated and parent company financial statements for the year ended 31 December 2012

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 The principal trading companies in the Group are Brake Bros Limited Brake Bros Foodservice Limited M&J Seafood Limited Wild Harvest Limited O Kane Food Service Limited Freshfayre Limited Brake Bros Foodservice Ireland Limited Brake France Service SAS and Menigo Foodservice AB Brake Bros Limited is a limited company incorporated in England and Wales and 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 4

The results for the Group show a pre-tax profit of £59 0m (2011 £65 2m) for the year and revenue of £2 697 7m (2011 £2 449 6m) The results for the year are after charging exceptional items of £22 7m (2011 £18 6m) referred to in note 2 of these financial statements

Principal risks and uncertainties
The directors of the largest UK parent undertaking Cucina Lux Investments Limited manage its Group s risks and performance through its immediate subsidiary company Cucina Investments (UK) 3 Limited 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 Cucina Lux Investments Limited Group, which include those of the Company and the Group are discussed in the business review of Cucina Lux Investments Limited s annual report, which does not form part of this report

Future outlook and going concern
The going concern of the company is dependent upon the overall going concern of the group In assessing whether the financial statements for the Group and Company should be prepared on the going concern basis the directors have considered the future outlook of the Company and of the Group on a combined basis A fuller analysis of this outlook and the basis for this assessment is set out in the financial statements of the largest UK parent company, Cucina Lux Investments Limited Having considered the future operating profits cash flows and facilities available to the Group the directors are satisfied that the Group will have sufficient funds to repay its liabilities as they fall due Consequently the financial statements of the Group and the Company are prepared on the going concern basis

Dividends
No interim dividends have been paid (2011 £nil) and the directors do not recommend a final dividend (2011 £nil)

Directors
The directors of the Company who were in office during the year and up to the date of signing the financial statements are given below
I R Goldsmith
A J Whitehead
S P Smith
D C Lennard
P Wieland (appointed 3 January 2012)
P McIntyre (appointed 27 February 2012)

P E R Jansen was a director during the year but resigned as a director on 1 April 2013

During the year S Barden was appointed as a director on 3 January 2012 and resigned on 30 September 2012

K McMeikan was appointed as a director on 1 April 2013

Directors' third party indemnity provisions
A qualifying third-party indemnity provision as defined in Section 234 of the Companies Act 2006 is in force for the benefit of each of the directors in respect of liabilities incurred as a result of their office to the extent permitted by law In respect of those liabilities for which directors may not be indemnified the Company maintained a directors and officers liability insurance policy throughout the financial year and to the date of approval of these financial statements

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 over 10 000 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 applications for employment training career development and promotion Every effort is made to help with the rehabilitation of anyone injured during their employment and to provide support we have an Employee Care Programme

Health and safety
As a business the Group is strongly committed to providing a safe and responsible place to work Concern for the wellbeing of our staff is a key element in our drive to be a great place to work" and we demonstrate this commitment through ongoing training and education of all our employees, working closely with our insurance providers and equipment suppliers to ensure sharing of best practice and leading edge health and safety solutions

Supplier payment policy
The Group s policy is generally to agree terms of payment with suppliers to settle invoices accordingly The Group does not follow any code or statement on payment practice but it is Group policy that payments to suppliers are normally made on the basis of the terms that have been agreed with them For the Group the average number of days taken to pay suppliers invoices during the year was 53 days (2011 54 days) For the Company the average number of days taken to pay suppliers invoices during the year was 53 days (2011 56 days)

Donations
The Group actively supports and encourages charitable activity in support of the community Direct donations and support to national and local charitable organisations amounting to £2 875 (2011 £10 463) and £1 442 (2011 £6 410) respectively were made in the year Direct donations and support to national charitable organisations during the year included £1 000 to the Royal British Legion £975 for Seeing is Believing £500 for Help the Heroes and £400 for Rise Africa No donations were made to any political party (2011 £nil)

Land and buildings
The directors consider that the Group s and Company's market value of land and buildings is £93 9m (2011 £95 1m) and £59 7m (2011 £60 0m) respectively

Directors' report (continued)

Financial risk management
The Group has operations in the UK the Republic of Ireland 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 interest rates credit risks and liquidity risk

The UK Group s Board of Directors have the responsibility for setting the risk management 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 UK Group has a policy and procedures manual that sets out specific guidelines to manage foreign currency exchange risk, interest rate risk credit risk liquidity risk and the use of the financial instruments to manage these Further information on these is also given in note 16 of these financial statements

(a) Foreign currency exchange risk
The Group has operations in the UK, the Republic of Ireland France and Sweden The Group is exposed to foreign exchange risks primarily with respect to the Euro and the Swedish Krona

(b) Interest rate risk
The Group has both interest bearing assets and interest bearing liabilities

(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 parent undertakings that are designed to ensure the Group has sufficient available funds for operations and planned expansions

Independent auditors
PricewaterhouseCoopers LLP shall remain in office until the Company or PricewaterhouseCoopers LLP otherwise determine

Disclosure of information to auditors
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

Statement of directors' responsibilities
The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year Under that law the directors have prepared the group and parent company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period

In preparing these financial statements the directors are required to

- select suitable accounting policies and then apply them consistently
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable IFRSs as adopted by the European Union have been followed subject to any material departures disclosed and explained in the financial statements and
- prepare the group financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group and enable them to ensure that the financial statements comply with the Companies Act 2006 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

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

A J Whitehead
Director
12 April 2013

Company registration number 02035315

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

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 2012 which comprise the consolidated income statement, the consolidated and company statements of comprehensive income the consolidated and company statements of financial position the consolidated and company statements of changes in equity the consolidated and company statements of cash flow and the related notes The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and as regards the parent company financial statements as applied in accordance with the provisions of the Companies Act 2006

Respective responsibilities of directors and auditors
As explained more fully in the statement of directors responsibilities as set out on page 2 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

This report, including the opinions has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose We do not in giving these opinions 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

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the group s and parent company's circumstances and have been consistently applied and adequately disclosed the reasonableness of significant accounting estimates made by the directors and the overall presentation of the financial statements In addition we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements
In our opinion

- the financial statements give a true and fair view of the state of the group s and of the parent company's affairs as at 31 December 2012 and of the group s profit and group s and parent company's cash flows for the year then ended
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006, and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the directors report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if in our opinion

- adequate accounting records have not been kept by the parent company or returns adequate for our audit have not been received from branches not visited by us or
- the parent company financial statements are not in agreement with the accounting records and returns or
- certain disclosures of directors remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Christopher Burns (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
12 April 2013

Consolidated income statement

For the year ended 31 December 2012

	Notes	2012 £m	2011 £m
Continuing operations			
Revenue	2	2,897 7	2 449 8
Operating costs		(2,830 6)	(2 382 3)
Operating profit	2	67 1	67 5
Operating profit before exceptional items		89 8	86 1
Exceptional items	2	(22 7)	(18 6)
Finance costs	3	(20 2)	(16 0)
Finance income	3	12 1	12 8
Finance costs - net		(8 1)	(3 2)
Share of profits of associate		-	0 9
Profit on ordinary activities before taxation		59 0	65 2
Income tax charge	4	(15 9)	(25 5)
Profit for the year after taxation	21	43 1	39 7
Profit / (loss) attributable to equity holders of the company			
Owners of the parent company		43 7	40 5
Non-controlling interest		(0 6)	(0 8)
		43 1	39 7

The notes on pages 12 to 37 form an integral part of these financial statements

The company has elected to take the exemption under section 408 of the Companies Act 2006 to not present the parent company income statement The profit for the parent company for the year was £14 4m (2011 £36 5m)

Consolidated and company statements of comprehensive income

For the year ended 31 December 2012

	Notes	Group 2012 £m	Group 2011 £m	Company 2012 £m	Company 2011 £m
Profit for the financial year	21	43 1	39 7	14 4	36 5
Other comprehensive (expense) / income					
Currency translation differences	21	(3 0)	(2 7)	-	-
Cash flow hedges	21	0 1	0 1	-	-
Acquisition of subsidiary undertaking	21	-	(14 1)	-	-
Actuarial losses on defined benefit pension scheme	17	(4 5)	(19 9)	(4 7)	(18 1)
Taxation on items taken directly to equity	4	0 4	4 4	0 4	4 1
Other comprehensive expense for the year, net of tax		(7 0)	(32 2)	(4 3)	(14 0)
Total comprehensive income for the year		36 1	7 5	10 1	22 5
Attibutable to					
Owners of the parent company		36 7	8 3	10 1	22 5
Non-controlling interest		(0 6)	(0 8)	-	-
Total comprehensive income for the year		36 1	7 5	10 1	22 5

The notes on pages 12 to 37 form an integral part of these financial statements

Brake Bros Limited
Annual report and financial statements
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Consolidated statement of financial position

At 31 December 2012

	Notes	2012 £m	2012 £m	2011 £m	2011 £m
Assets					
Non-current assets					
Goodwill	6		152 8		153 9
Intangible assets	7		30 5		29 4
Property plant and equipment	8		184 0		177 4
Deferred income tax assets	19		30 6		32 2
			397 9		392 9
Current assets					
Inventories	10	112 1		101 7	
Trade and other receivables	11	606 7		670 4	
Cash and cash equivalents	12	168 4		145 2	
		887 2		917 3	
Liabilities					
Current liabilities					
Financial liabilities - borrowings	15	(27 5)		(38 1)	
Trade and other payables	13	(507 2)		(572 0)	
Current income tax liabilities	14	(0 2)		(0 2)	
Provisions for other liabilities and charges	18	(1 4)		(0 7)	
		(536 3)		(611 0)	
Net current assets			350 9		306 3
Non-current liabilities					
Financial liabilities - borrowings	15	(179 9)		(169 7)	
Retirement benefit obligations	17	(63 5)		(60 1)	
Provisions for other liabilities and charges	18	(11 3)		(11 4)	
			(254 7)		(241 2)
Net assets			494 1		458 0
Equity					
Share capital	20		5 4		5 4
Share premium account			30 8		30 8
Other reserves	21		(3 6)		(0 7)
Retained earnings	21		468 6		429 0
Total equity attributable to owners of the parent company			501 2		464 5
Non-controlling interests			(7 1)		(6 5)
Total equity			494 1		458 0

The notes on pages 12 to 37 form an integral part of these financial statements

The financial statements on pages 4 to 37 were approved by the Board of Directors on 12 April 2013 and were signed on its behalf by

P Wieland
Director

Brake Bros Limited
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Company statement of financial position

At 31 December 2012

	Notes	2012 £m	2012 £m	2011 £m	2011 £m
Assets					
Non-current assets					
Goodwill	6		28 2		28 2
Intangible assets	7		19 2		17 5
Property plant and equipment	8		118 5		123 4
Deferred tax assets	19		26 4		27 4
Investments in subsidiaries	9 (a)		188 1		242 7
			380 4		439 2
Current assets					
Inventories	10	60 7		48 6	
Trade and other receivables	11	420 9		500 7	
Cash and cash equivalents	12	124 9		98 1	
		606 5		647 4	
Liabilities					
Current liabilities					
Financial liabilities - borrowings	15	(20 9)		(72 8)	
Trade and other payables	13	(468 5)		(536 3)	
Provisions for other liabilities and charges	18	(1 4)		(0 7)	
		(490 8)		(609 8)	
Net current assets			115 7		37 6
Non-current liabilities					
Financial liabilities - borrowings	15	(16 3)		(9 1)	
Retirement benefit obligations	17	(38 7)		(36 6)	
Provisions for other liabilities and charges	18	(7 7)		(7 8)	
			(62 7)		(53 5)
Net assets			433 4		423 3
Equity					
Share capital	20		5 4		5 4
Share premium account			30 8		30 8
Other reserves	21		10 7		10 7
Retained earnings	21		386 5		376 4
Total equity			433 4		423 3

The notes on pages 12 to 37 form an integral part of these financial statements

The financial statements on pages 4 to 37 were approved by the Board of Directors on 12 April 2013 and were signed on its behalf by

P Wieland
Director

Company registration number 02035315

Consolidated statement of changes in equity

	Notes	Share capital £m	Share premium account £m	Other reserves £m	Retained earnings £m	Total £m	Non-controlling interests £m	Total equity £m
		Attributable to owners of the parent company						
Balance at 1 January 2011		5 4	30 8	16 0	404 0	456 2	0 3	456 5
Comprehensive income								
Profit / (loss) for the year		-	-	-	40 5	40 5	(0 8)	39 7
Other comprehensive (expense) / income								
Currency translation differences	21	-	-	(2 7)	-	(2 7)	-	(2 7)
Cash flow hedges	21	-	-	0 1	-	0 1	-	0 1
Actuarial losses on defined benefit pension scheme	17	-	-	-	(19 9)	(19 9)	-	(19 9)
Deferred tax on items taken directly to equity	19	-	-	-	4 4	4 4	-	4 4
Acquisition of subsidiary undertaking	21	-	-	(14 1)	-	(14 1)	-	(14 1)
Total other comprehensive expense		-	-	(16 7)	(15 5)	(32 2)	-	(32 2)
Total comprehensive (expense) / income		-	-	(16 7)	25 0	8 3	(0 8)	7 5
Transactions with owners								
Non-controlling interest on business combination		-	-	-	-	-	(6 0)	(6 0)
Total transactions with owners		-	-	-	-	-	(6 0)	(6 0)
Balance at 1 January 2012		5 4	30 8	(0 7)	429 0	464 5	(6 5)	458 0
Comprehensive income								
Profit / (loss) for the year		-	-	-	43 7	43 7	(0 6)	43 1
Other comprehensive (expense) / income								
Currency translation differences	21	-	-	(3 0)	-	(3 0)	-	(3 0)
Cash flow hedges	21	-	-	0 1	-	0 1	-	0 1
Actuarial losses on defined benefit pension scheme	17	-	-	-	(4 5)	(4 5)	-	(4 5)
Deferred tax on items taken directly to equity	19	-	-	-	0 4	0 4	-	0 4
Total other comprehensive expense		-	-	(2 9)	(4 1)	(7 0)	-	(7 0)
Total comprehensive (expense) / income		-	-	(2 9)	39 6	36 7	(0 6)	36 1
Balance at 31 December 2012		5 4	30 8	(3 6)	468 6	501 2	(7 1)	494 1

The notes on pages 12 to 37 form an integral part of these financial statements

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Company statement of changes in equity

		Attributable to owners of the parent company				
	Notes	Share capital £m	Share premium account £m	Other reserves £m	Retained earnings £m	Total equity £m
Balance at 1 January 2011		5 4	30 8	10 7	353 9	400 8
Comprehensive income						
Profit		-		-	36 5	36 5
Other comprehensive (expense) / income						
Actuarial losses on defined benefit pension scheme	17	-	-	-	(18 1)	(18 1)
Deferred tax on items taken directly to equity	19	-	-	-	4 1	4 1
Total other comprehensive expense		-	-	-	(14 0)	(14 0)
Total comprehensive income		-	-	-	22 5	22 5
Balance at 1 January 2012		5 4	30 8	10 7	376 4	423 3
Comprehensive income						
Profit		-	-	-	14 4	14 4
Other comprehensive (expense) / income						
Actuarial losses on defined benefit pension scheme	17	-	-	-	(4 7)	(4 7)
Deferred tax on items taken directly to equity	19	-	-	-	0 4	0 4
Total other comprehensive expense		-	-	-	(4 3)	(4 3)
Total comprehensive income		-	-	-	10 1	10 1
Balance at 31 December 2012		5 4	30 8	10 7	386 5	433 4

The notes on pages 12 to 37 form an integral part of these financial statements

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Consolidated statement of cash flows

For the year ended 31 December 2012

	Notes	2012 £m	2012 £m	2011 £m	2011 £m
Cash flows from operating activities					
Cash generated from operations	22		121 6		126 1
Analysed as					
Cash generated from operations before exceptional items			145 6		137 7
Exceptional items			(24 0)		(11 6)
Interest paid			(8 8)		(4 8)
Income tax paid			(5 3)		(2 7)
Net cash generated from operating activities			107 5		118 6
Cash flows from investing activities					
Purchase of property, plant and equipment		(25 9)		(26 5)	
Purchase of intangible assets		(9 7)		(5 3)	
Sale of property plant and equipment		15 7		1 3	
Sale and leaseback of property plant and equipment		8 1		-	
Acquisition of subsidiaries net of cash acquired		-		(7 6)	
Interest received		0 9		0 3	
Net cash used in investing activities			(10 9)		(37 8)
Cash flows used in financing activities					
Payments to parent undertakings		(22 8)		(27 3)	
Transaction costs arising on obtaining debt finance		(1 9)		(1 5)	
Loan repayments to parent undertakings		(30 0)		-	
Proceeds from borrowings		-		16 2	
Repayment of external borrowings		(7 6)		(2 6)	
Finance lease capital repayments		(10 6)		(6 9)	
Net cash used in financing activities			(72 9)		(22 1)
Net increase in cash and cash equivalents			23 7		58 7
Cash and cash equivalents at 1 January	12		145 2		87 4
Effects of exchange rate changes			(0 5)		(0 9)
Cash and cash equivalents at 31 December	12		168 4		145 2

The notes on pages 12 to 37 form an integral part of these financial statements

Company statement of cash flows

For the year ended 31 December 2012

	Notes	2012 £m	2012 £m	2011 £m	2011 £m
Cash flows from operating activities					
Cash generated from operations	22		76 9		93 8
Analysed as					
Cash generated from operations before exceptional items			96 3		104 4
Exceptional items			(19 4)		(10 6)
Interest paid			(2 2)		(2 6)
Net cash generated from operating activities			74 7		91 2
Cash flows from investing activities					
Dividends received		6 3		9 5	
Purchase of property, plant and equipment		(17 5)		(15 7)	
Purchase of intangible assets		(7 1)		(3 3)	
Sale of property plant and equipment and intangible assets		15 5		1 1	
Sale and leaseback of property, plant and equipment		8 1		-	
Acquisition of subsidiaries		-		(17 6)	
Interest received		0 1		0 1	
Net cash from / (used) in investing activities			5 4		(25 9)
Cash flows from financing activities					
Payments to parent undertakings		(7 9)		(26 4)	
Payments (to) / from group undertaking		(15 1)		3 4	
Loans to parent undertakings		(30 0)		(0 8)	
Loans payments from / (to) group undertakings		6 5		(0 1)	
Finance lease capital repayments		(6 8)		(5 8)	
Net cash used in financing activities			(53 3)		(29 7)
Net increase in cash and cash equivalents	12		26 8		35 6
Cash and cash equivalents at 1 January			98 1		62 5
Cash and cash equivalents at 31 December	12		124 9		98 1

The notes on pages 12 to 37 form an integral part of these financial statements

Brake Bros Limited
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For the year ended 31 December 2012

Notes to the financial statements

1 Accounting policies

Basis of preparation
These financial statements are the consolidated financial statements of Brake Bros Limited ('the Group") and the parent company financial statements of Brake Bros Limited ("the Company") for the year ended 31 December 2012 These group consolidated and company financial statements were authorised for issue by the Board of Directors on 12 April 2013

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) IFRIC Interpretations and the Companies Act 2006 applicable to companies reporting under IFRS The consolidated financial statements have been prepared under the historical cost convention as modified by the revaluation of land and buildings and financial assets and financial liabilities (including derivative instruments) at fair value through profit or

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates It also requires management to exercise its judgement in the process of applying the Group s accounting policies The areas involving a higher degree of judgement or complexity or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed below within critical accounting estimates and assumptions

The Company is part of a financing group of companies and therefore the going concern of the Company is dependent upon the overall going concern of the Group In assessing whether the financial statements for the Company should be prepared on the going concern basis the directors have therefore considered the future outlook of the Company and of the Group on a combined basis A fuller analysis of this outlook and the basis for this assessment is set out in the financial statements of the largest UK parent company Cucina Lux Investments Limited Having considered the future operating profits cash flows and facilities available to the Group the Directors are satisfied that the Group will have sufficient funds to repay its liabilities as they fall due On this basis the Directors consider it appropriate to prepare the financial statements on the going concern basis

(a) New and amended standards adopted by the Group
There are no IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning on or after 1 January 2012 that would be expected to have a material impact on the Group

(b) New standards and interpretations not yet adopted by the Group
A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2012 and have not been applied in preparing these consolidated financial statements None of these is expected to have a significant effect on the consolidated financial statements of the group except the following set out below

Amendment to IAS 1 Financial statement presentation regarding other comprehensive income The main change resulting from these amendments is a requirement for entities to group items presented in other comprehensive income (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments) The amendments do not address which items are presented in OCI

IFRS 13 Fair value measurement' aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs The requirements which are largely aligned between IFRSs and US GAAP do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP

IAS 19 Employee benefits was amended in June 2011 The impact on the Group will be as follows to reverse the reserve held for future administration expenses and to recognise them within operating costs as incurred and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability For 2012 the impact to the Group of the amendments would have been an increase in net finance costs amounting to £0 9m a reduction of £1 2m in the actuarial loss in the consolidated statement of comprehensive income the administration expenses reserve reversal would reduce the present value of funded obligations from £193 6m to £188 0m and the operating profit would be lower due to £0 2m of administration expense charges

IFRS 9 Financial instruments' addresses the classification measurement and recognition of financial assets and financial liabilities IFRS 9 was issued in November 2009 and October 2010 It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments IFRS 9 requires financial assets to be classified into two measurement categories those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities the standard retains most of the IAS 39 requirements The main change is that, in cases where the fair value option is taken for financial liabilities the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the consolidated income statement, unless this creates an accounting mismatch The Group is yet to assess IFRS 9 s full impact and intends to adopt IFRS 9 no later than the accounting period beginning on or after 1 January 2015 subject to endorsement by the EU The Group will also consider the impact of the remaining phases of IFRS 9 when completed by the Board

IFRS 10 Consolidated financial statements builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company The standard provides additional guidance to assist in the determination of control where this is difficult to assess The Group is yet to assess IFRS 10 s full impact and intends to adopt IFRS 10 no later than the accounting period beginning on or after 1 January 2013

IFRS 12 Disclosures of interests in other entities includes the disclosure requirements for all forms of interests in other entities including joint arrangements associates special purpose vehicles and other off balance sheet vehicles The Group is yet to assess IFRS 12 s full impact and intends to adopt IFRS 12 no later than the accounting period beginning on or after 1 January 2013

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group

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

Basis of consolidation
(a) Subsidiaries
These consolidated financial statements consolidate the financial statements of the Company and all its subsidiary undertakings Subsidiaries include special purpose entities where the substance of the relationship between the Group and the special purpose entity indicates that it is controlled by the Group Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity Subsidiaries are fully consolidated from the date on which control is transferred to the Group They are de-consolidated from the date that control ceases

The Group uses the acquisition method of accounting to account for business combinations The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred the liabilities incurred and the equity interests issued by the Group The consideration transferred includes the fair value of any assets or liability arising from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date On an acquisition-by-acquisition basis the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets

The excess of the consideration transferred the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group s share of the identifiable net assets acquired is recorded as goodwill If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase the difference is recognised directly in the consolidated statement of comprehensive income

For transactions with entities under common control the available exemption from IFRS 3 'Business Combinations' is taken and the predecessor method of accounting is used The identifiable assets and liabilities are measured at their pre-combination carrying value including any previously consolidated goodwill any differences on consolidation (ie between the cost of investment and the carrying value of the net assets) are recognised in equity in retained earnings The Group recognises the results of the acquired entity from the date on which the business combination between entities under common control occurred

Uniform accounting policies are adopted across the Group 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

Notes to the financial statements

1 Accounting policies (continued)

Basis of consolidation (continued)
(b) Transactions and non-controlling interests
The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group Disposals to minority interests result in gains or losses for the Group that are recorded in the income statement. Purchases from minority interests result in goodwill being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group For purchases from non-controlling interests the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity Gains or losses on disposals to non-controlling interests are also recorded in equity

When the Group ceases to have control or significant influence any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in the consolidated income statement The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest in the associate joint venture or financial asset. In addition any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities This may mean that amounts previously recognised in other comprehensive income are reclassified to the consolidated income statement.

If the ownership in an associate is reduced but significant influence is retained only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to the consolidated income statement where appropriate

(c) Associates
Associates are all entities over which the Group has significant influence but not control generally accompanying a shareholding of between 20% and 50% of the voting rights Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost.

The Group s share of its associates post acquisition profits or losses is recognised in the consolidated income statement, and its share of post acquisition movements in other comprehensive income is recognised in other comprehensive income The cumulative post acquisition movements are adjusted against the carrying amount of the investment When the Group s share of losses in an associate equals or exceeds its interest in the associate the Group does not recognise further losses unless it has incurred obligations or made payments on behalf of the associate

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group s interest in the associate Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred Accounting policies of associates have been changed where necessary to ensure consistency with the accounting policies adopted by the Group

Revenue
Revenue comprises the fair value of the consideration received or receivable for the sale of products and services including ancillary revenues 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 or service has transferred to the buyer the significant risks and rewards of ownership and when it is considered probable that the related receivable is collectable Rebates and discounts are recognised when the Group has delivered the products and services and when it is considered probable that the obligation is receivable or payable respectively

Exceptional items
Where items of income and expense included in the consolidated income statement are considered to be material and exceptional in nature 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 capitalises borrowing costs directly attributable to the acquisition construction or production of a qualifying asset as part of the cost of that asset The Group charges borrowing costs to the consolidated income statement for non-qualifying

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 consolidated 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 consolidated income statement

Investments in subsidiaries
Investments in subsidiaries held as non-current assets are accounted for at cost less a provision for any impairment in value Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments Cost also includes direct attributable costs of investments If the directors consider that fair value of investments in subsidiaries are below their carrying value then a provision for impairment would be made

Intangible assets
(a) Goodwill
Goodwill represents the excess of the cost of an acquisition over the fair value of the Group s share of the net identifiable assets of the acquired subsidiary at the date of acquisition Goodwill on acquisitions of subsidiaries is included in 'intangible assets' Goodwill is not subject to annual amortisation but is instead tested annually for impairment and carried at cost less accumulated impairment losses Impairment losses on goodwill 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

Notes to the financial statements

1 Accounting policies (continued)

Intangible assets (continued)
(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 estimated 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 statement of financial position date

(c) Customer contracts and relationships
Customer lists and customer contracts and relationships are acquired separately or as part of a business combination

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

For those customer lists and customer contracts and relationships 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 (revised)

Customer lists and customer contracts and relationships are amortised on a straight line basis over their expected 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 expected useful economic life

(d) Brands
Brands are acquired separately or as part of a business combination For those brands acquired separately an intangible asset is recognised on the basis of the costs to acquire the brands together with any directly attributable costs of acquiring the asset For those brands 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 (revised)

Brands are amortised on a straight line basis over their expected useful economic lives which are considered to be 25 years These are assumed to have no residual value at the end of their expected useful economic life

Impairment of non-financial assets
Assets that have an indefinite useful economic 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 Provision is made for obsolete and slow-moving items 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 Significant financial difficulties of the debtor probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 2 months overdue) are considered indicators that the trade receivable is impaired The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate 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 consolidated income statement within direct purchase cost. When a trade receivable is uncollectable it is written off against the trade receivables impairment account Subsequent recoveries of amounts previously written off are credited in the consolidated income statement

Trade receivables - factored
Where the Company has sold without recourse trade receivables to other group companies and no longer bears the risk or rewards of these amounts the trade receivable balance is derecognised on the related sale

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

Current and deferred income tax
The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the date of the statement of financial position Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities

Deferred income tax is provided in full using the liability method, on temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the financial statements However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the date of the statement of financial position and are expected to apply when the related deferred income tax asset is realised Deferred income tax is measured on an undiscounted basis

Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the temporary differences 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 consolidated 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 statement of financial position in respect of the defined benefit pension scheme is the present value of the defined benefit obligation at the date of the statement of financial position less the fair value of the plan assets The independent actuary using the projected unit credit method and assumptions agreed with the Trustees and Directors 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 Actuarial gains and losses are recognised in full in the year they occur in the statement of comprehensive income

Notes to the financial statements

1 Accounting policies (continued)

Employee benefits (continued)
Defined contribution plan
For defined contribution plans the Group pays contributions to Group money purchase pension 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

Provisions
Provisions are formed for legally enforceable or constructive obligations existing on the date of the statement of financial position the settlement of which is likely to require outflow of resources and the extent of which can be reliably estimated Where material to the financial statements provisions are discounted over the life of their expected cash flows

Trade payables
Trade payables are non interest-bearing and are stated at amortised cost.

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 statement of financial position as property plant and equipment and are depreciated over the shorter of their useful lives and 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 finance costs in the consolidated 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 consolidated income statement over the term of the lease

Foreign currencies
Items included in the financial statements of the Group s subsidiary companies are measured using the currency of the primary economic environment in which the subsidiary operates ('the functional currency') The consolidated financial statements are presented in sterling which is the Group and 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 date of the statement of financial position Differences arising on translation are charged or credited to the consolidated 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 statements of financial position are translated at the exchange rates ruling at the date of the statements of financial position 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 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

Financial assets
The Group classifies its financial assets in the following category loans and receivables The classification is based on the purpose for which the financial assets were acquired Management determines the classification of its financial assets at initial recognition

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets except for maturities greater than 12 months after the date of the statement of financial position These are classified as non-current assets The Group s loans and receivables comprise trade and other receivables and cash and cash equivalents in the statement of financial position

Borrowings and finance costs
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 finance costs Transaction costs are amortised over the expected term of the related financial instruments

All borrowings denominated in currencies other than sterling are translated at the rate ruling at the statement of financial position 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 statement of financial position date

Finance income
Finance income is recognised on a time-proportion basis using the effective interest method

Derivative financial instruments
The Group uses derivative financial instruments principally interest rate swaps to manage the interest rate risk on interest payments The Group does not use derivative financial instruments for speculative purposes

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and subsequently re-measured at fair value The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument and if so the nature of the item being hedged The Group designates certain derivatives as

hedges of a particular risk associated with a recognised asset or liability or a highly probable forecasted transaction (cash flow hedge)

The Group documents at or near to the inception of the transaction the relationship between hedging instruments and hedged items as well as its risk management objectives and strategy for undertaking various hedging transactions The Group also documents its assessment, both at hedge inception and on an ongoing basis of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows of hedged items

The fair value of derivative instruments used for hedging purposes are disclosed in note 18 (c) Movements on the hedging reserve in shareholders equity are shown in note 21 The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than one year and as a current asset or liability when the remaining maturity of the hedged item is less than one year

(a) Cash flow hedge
The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity (in other reserves in note 21) The gain or loss relating to the ineffective portion is recognised immediately in 'finance costs net' in the consolidated income statement.

Amounts accumulated in equity are recycled in the consolidated income statement in the periods when the hedged item affects profit or loss The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in the consolidated income statement within 'finance costs - net' The gain or loss relating to the ineffective portion of interest rate swaps hedging variable rate borrowings is recognised in the consolidated income statement within 'finance costs - net'

When a hedging instrument expires or is sold or where a hedge no longer meets the criteria for hedge accounting 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 consolidated income statement When a forecast transaction is no longer expected to occur the cumulative gain or loss that was reported in equity is immediately transferred to the consolidated income statement within 'finance costs - net'

Notes to the financial statements

1 Accounting policies (continued)

Share capital
Where the Company 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 Incremental costs directly attributable to the issue of new shares are shown in the same respective category to which the costs relate Dividends or interest arising on such financial instruments are recognised according to the classification of the financial instrument.

Critical accounting estimates and assumptions
(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 (see note 6)

A sensitivity analysis has been performed on the key assumptions used for assessing the goodwill The directors have concluded that in the case of Broadline UK, Broadline Continental Europe Country Choice and M&J Seafood that as these have significant headroom of recoverable amounts in excess of carrying values it is considered that there are there are no reasonably possible changes in key assumptions which would cause the carrying amount of goodwill to exceed its value-in-use

(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 UK defined benefit pension scheme are taken through the statement of comprehensive income in full each year and the full deficit on an IAS 19 basis is included within the statement of financial position

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 17 to the financial statements)

One of the key assumptions used in determining the valuation at 31 December 2012 is the UK discount rate of 4 7% Whilst the directors consider that the adoption of a 4 7% discount rate is appropriate if the rate used had been 0 2% higher or lower the retirement benefit obligation would have been approximately £7 1m lower or higher Another key assumption used in determining the valuation is the mortality assumption If the average life expectancy in years of pensioner retiring was 1 year higher or lower than that used in the valuation the retirement benefit obligation would have been approximately £4 8m higher or lower

(c) Income taxes - deferred taxation
The group is subject to income taxes in numerous jurisdictions Significant judgment is required in determining the group s provision for deferred taxation There are certain calculations for which the ultimate tax determination is uncertain The group recognises liabilities and assets for anticipated tax issues based on estimates of whether additional taxes will be due or recoverable Where the final outcome of these matters is different from the amounts that were initially recorded such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made

A deferred tax asset of £5 4m is recognised in respect of certain UK tax losses The key assumption used in recognition of this asset is based upon management's forecasts for taxable profits for the next three years and the assumption that the losses will be available for utilisation If management's forecasts were 10% higher or lower then the deferred tax asset would be £0 5m higher or lower and income taxes in the consolidated income statement would be £0 5m lower or higher respectively If the tax losses were subsequently found not to be available for utilisation against taxable profits then the deferred tax asset would no longer be recognised and there would be a charge of £5 4m in income taxes in the consolidated income statement.

Notes to the financial statements

2 Revenue and operating profit

	2012 £m	2011 £m
Revenue products	2,897 7	2 449 8
Direct purchase cost	(2,217 1)	(1,848 5)
Trading profit	680 6	601 3
Distribution and selling costs	(505 8)	(441 8)
Gross profit	174 8	159 5
Administrative expenses	(76 5)	(66 2)
Exceptional items (see below)	(22 7)	(18 6)
Amortisation of intangible assets customer lists	(1.4)	(1 3)
Amortisation of intangible assets computer software	(7 1)	(5 9)
Total administrative expenses	(107 7)	(92 0)
Group operating profit	67 1	67 5

The Group's revenue primarily comprises of sales to customers within the United Kingdom (including the Republic of Ireland) amounting to £1 955 2m (2011 £1 801 5m) and within Continental Europe amounting to £942 5m (2011 £648 3m)

The Group operating profit is all derived from continuing operations

Profit on ordinary activities before taxation is arrived at after charging	2012 £m	2011 £m
Employee benefit expense (note 23)	330 9	286 3
Inventories		
cost of inventories recognised as an expense (included in direct purchase cost)	2 207 3	1 840 6
write downs and losses incurred in the year	4 3	7 0
Amortisation of intangible assets - brands and customer contracts and relationships	1 4	1 3
Amortisation of intangible assets - computer software	7 1	5 9
Depreciation of property plant and equipment		
- owned assets	22.1	21 1
- assets held under finance leases	10 3	5 9
Loss on sale of property plant and equipment	(5 7)	0 2
Other operating lease rentals payable		
plant and machinery	14 8	16 4
property	19 8	12 6
Repairs and maintenance expenditure on property plant and equipment	28 6	24 3
Trade receivables impairment (note 11)	4 6	4 2
Exceptional items		
Business change costs	8 4	10 5
- Restructuring of the UK distribution network	6 7	1 2
- Other UK restructuring costs and other costs	2 1	2 5
Brake France Service SAS restructuring costs	0 9	0 2
Menigo Foodservice AB restructuring costs	1 6	
Transaction fees	1 9	0 4
- Loss on disposal of Browns Foodservice	1 1	-
Impairment of goodwill / brands and customer contracts and relationships	-	3 8
Total exceptional items	22 7	18 6

Business change costs
Significant business change costs amounting to £8 4m (2011 £10 5m) have been incurred during the year primarily on external consultancy projects delivering fundamental business change and operational restructure across the group

Restructuring of the UK distribution network
Restructuring has taken place in the UK in order to redevelop the distribution network and infrastructure with costs in the year amounting to £6 7m (2011 £1 2m) During the implementation of this restructure a large number of one-off costs are being incurred and a dedicated team of Brakes employees have been recruited to manage the project The restructuring costs incurred primarily related to project management costs the closure of depots and the restructuring costs relate to redundancy payments and other exceptional operating costs incurred during the period prior to closure and also costs in relation to start up and dual running costs when opening and closing depots During 2012 a new depot in Reading was opened and 3 depots were closed Also in 2012 a decision has been made to build a new distribution centre in Warrington with completion in 2013 The costs incurred in 2011 primarily related to the development of a new depot in Reading

Other UK restructuring and other costs
Other UK restructuring costs of £2 1m (2011 £2 5m) primarily include redundancy costs incurred from a UK headcount reduction programme In respect of redundancy cost where staff have been notified of their redundancy during the year a full accrual is made for their costs from the date of notification and these costs are classified as exceptional items

Brake France Service SAS restructuring costs
Brake France Service SAS incurred restructuring costs of £0 9m (2011 £0 2m) in relation to roles permanently removed from the business during the year

Menigo Foodservice AB restructuring costs
Menigo Foodservice AB incurred restructuring costs of £1 6m in relation to roles permanently removed from the business during the year

Transaction costs
Transaction costs are for professional and legal fees incurred by advisors acting on behalf of the Group In 2012 costs amounting to £1 9m (2011 £0 4m) were incurred including transaction fees invoiced for prior years business combinations transaction fees for acquiring customer contracts and relationships and also fees incurred in considering potential market opportunities. During 2011 the costs incurred were from considering potential market opportunities

Loss on disposal of Browns Foodservice
Following a thorough review of the Browns Foodservice operation it was decided during the year to sell the business resulting in a loss on disposal of £1 1m

Notes to the financial statements

2 Revenue and operating profit (continued)

Auditors
During the year the Group (including its overseas subsidiaries) obtained the following services from the Group s auditors and its associates at the following costs

Fees payable to the Company's auditor and its associates for the audit of the parent company and consolidated financial statements amounted to £0 2m (2011 £0 4m) Fees payable to the Company's auditor and its associates for other services are detailed as follows

Other services	2012 £m	2011 £m
The audit of the company's parent and subsidiary undertakings	0 3	0 3
Tax compliance service	0 2	0 2
Other non-audit services	0 1	0 1
	0 6	0 6

The Group's auditors also acted as auditors to the Brake Bros plc Pension Scheme and the Brakes Money Purchase Pension Plan The appointment of auditors to these schemes and the fees paid are agreed by the Trustees of each scheme who act independently to the management of the Group The aggregate fees charged were £22 500 (2011 £26 750)

3 Finance costs - net

	2012 £m	2011 £m
Finance costs		
Bank loans	(5 7)	(2 8)
Other loans and charges	(1 0)	(1 0)
Amortisation of debt issue costs	(0 7)	
Finance leases	(1 9)	(1 7)
Foreign exchange gains on financing activities	(0 4)	
Loan from parent undertaking	(0 8)	(0 7)
Interest on pension scheme liabilities (note 17)	(9 7)	(9 8)
Total finance costs	(20 2)	(16 0)
Finance income		
Interest income on short term deposits	0 5	0 1
Other interest income	0 4	0 2
Foreign exchange gains on financing activities	-	0 2
Loans to parent undertakings	3 0	2 5
Expected return on pension scheme assets	8 2	9 8
Total finance income	12 1	12 8
Finance costs - net	(8 1)	(3 2)

4 Income tax charge

Taxation is based on the profit for the year and comprises	2012 £m	2011 £m
Current tax		
- Current year group relief	5 6	15 9
- Adjustments in respect of previous years	3 0	1 6
- Overseas taxation	5 4	4 0
Deferred taxation		
- origination and reversal of temporary differences	5 0	(2 9)
Impact of change in UK tax rate	1 8	1 4
Adjustments to deferred tax in respect of previous years	(5 3)	1 0
- overseas deferred taxation	0.4	4 5
Income tax charge	15 9	25 5

Analysis of tax on items credited to equity

	2012 £m	2011 £m
Deferred tax credit on retirement benefit obligation actuarial losses (see note 19)	0 4	4 7
Overseas taxation on retirement benefit obligation actuarial losses	-	(0 3)
	0 4	4 4

Notes to the financial statements

4 Income tax charge (continued)

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

	2012 £m	2011 £m
Profit on ordinary activities before tax	59 0	65 2
At 24 5% (2011 26 5%)	14 5	17 3
Effects of		
Adjustments to tax charge in respect of previous years	3 0	1 6
Tax losses not giving rise to current year relief	1 5	0 4
Overseas taxation		1 4
Adjustments to deferred taxation in respect of previous years	(5 3)	1 0
Re-measurement of deferred tax - Change in the UK tax rate	1 8	1 4
Expenses not deductible for tax purposes and other adjustments	0 4	2 4
Tax charge	15 9	25 5

The standard rate of corporation tax in the UK reduced from 26% to 24% with effect from 1 April 2012 and accordingly the company's profits for the financial year were taxed at an effective rate of 24 5%

During the year as a result of the change in the UK corporation tax rate from 24% to 23% that was substantively enacted on 3 July 2012 and is effective from 1 April 2013 the relevant deferred tax balances have been re-measured Deferred tax expected to reverse in the year to 31 December 2013 has been measured using the effective rate that will apply in the UK for the year (23 25%)

Further reductions to the UK corporation tax rate were announced in the December 2012 Autumn Statement and the March 2013 Budget Further reductions to the main rate are proposed to reduce the rate by a further 3% to 21% from 1 April 2014 and to 20% from 1 April 2015 These changes in the corporation tax rate from 23% to 20% had not been substantively enacted at the balance sheet date and therefore are not recognised in these financial statements

5 Profit of the Parent Company for the financial year

The company has taken advantage of section 408 of the Companies Act 2006 and consequently has not presented an income statement The company's profit for the financial year amounted to £14 4m (2011 £36 5m)

6 Goodwill

	Group £m	Company £m
Cost and net book value		
At 1 January 2012	153 9	28 2
Exchange adjustment	(1 1)	
At 31 December 2012	152 8	28 2

	Group £m	Company £m
Cost and net book value		
At 1 January 2011	130 4	28 2
Exchange adjustment	(0 9)	-
Acquisition of subsidiaries	26 3	-
Impairment	(1 9)	-
At 31 December 2011	153 9	28 2

Notes to the financial statements

6 Goodwill (continued)

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

	Broadline £m	Country Choice £m	M&J Seafood £m	Total £m
United Kingdom	35 2	26 6	36 0	97 8
Continental Europe	55 0	-	-	55 0
At 31 December 2012	**90 2**	**26 6**	**36 0**	**152 8**

	Broadline £m	Country Choice £m	M&J Seafood £m	Total £m
United Kingdom	35 2	26 6	36 0	97 8
Continental Europe	56 1		-	56 1
At 31 December 2011	91 3	26 6	36 0	153 9

The Broadline business segment represents the core foodservice cash generating units In the UK it comprises the trading companies Brake Bros Limited Wild Harvest Limited O'Kane Food Service Limited Freshfayre Limited Brake Bros Foodservice Ireland Limited and in Continental Europe it principally comprises the trading companies Brake France Service SAS in France and Menigo Foodservice AB in Sweden The Country Choice business segment comprises of the trading company Brake Bros Foodservice Limited

Impairment reviews
An overview of impairment reviews performed by operating segment is set out below The recoverable amount of a CGU is determined on value-in-use calculations These calculations use pre-tax cash flow projections based on internal forecasts approved by management covering the next period Subsequent cash flows beyond are extrapolated using the estimated growth rate stated below

The key assumptions in the value in use calculations were

- Revenue growth This was based on expected levels of activity under existing major contractual arrangements together with growth based upon medium term historical growth rates and having regard for expected economic and market conditions for other customers

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

Discount rates The discount rates applied to the cash flow projections are based on an appropriate weighted average cost of capital for the group and reflect specific risks relating to the relevant operating segments

The forecasts are based on the approved management plan covering the next financial year Subsequent cash flows have been forecast to increase by 3 25% (2011 3 25%) in line with the long term GDP growth rate and including inflation reflecting minimum management expectations based on historical growth The cash flows in the UK and Continental Europe were discounted using pre-tax discount rates of 9 6% (2011 10 1%) in the UK, 9 5% (2011 10 5%) in France and 7 9% (2011 10 5%) in Sweden

The results of the impairment reviews undertaken indicated that the CGUs have recoverable amounts in excess of the carrying value of the goodwill For the impairment reviews a sensitivity analysis (included in critical accounting estimates and assumptions' in note 1 to the financial statements) has been performed on the key assumptions used in determining the recoverable amount of the CGUs

7 Intangible Assets

Group	Brands £m	Customer contracts and relationships £m	Computer software £m	Total £m
Cost or valuation				
At 1 January 2012	6 1	15 0	58 2	79 3
Exchange adjustment		-	(0 4)	(0 4)
Additions	-	0 3	9 4	9 7
At 31 December 2012	**6 1**	**15 3**	**67 2**	**88 6**
Accumulated amortisation				
At 1 January 2012	0 5	7 0	42 4	49 9
Exchange adjustment		-	(0 3)	(0 3)
Charge for the year	0 3	1 1	7 1	8 5
At 31 December 2012	**0 8**	**8 1**	**49 2**	**58 1**
Net book value at 31 December 2012	**5 3**	**7 2**	**18 0**	**30 5**

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7 Intangible Assets (continued)

Group	Brands £m	Customer contracts and relationships £m	Computer software £m	Total £m
Cost or valuation				
At 1 January 2011	3 0	13 0	51 0	67 0
Exchange adjustment		-	(0 6)	(0 6)
Acquisition of subsidiaries	3 6	3 9	3 5	11 0
Additions		-	5 3	5 3
Disposals	(0 5)	(1 9)	(1 0)	(3 4)
At 31 December 2011	6 1	15 0	58 2	79 3
Accumulated amortisation				
At 1 January 2011	0 2	5 7	35 8	41 7
Exchange adjustment		-	(0 4)	(0 4)
Acquisition of subsidiaries	0 2	0 6	2 1	2 9
Charge for the year	0 1	1 2	5 9	7 2
Impairment	0 5	1 4	-	1 9
Disposals	(0 5)	(1 9)	(1 0)	(3 4)
At 31 December 2011	0 5	7 0	42 4	49 9
Net book value at 31 December 2011	5 6	8 0	15 8	29 4

Company	Brands £m	Customer contracts and relationships £m	Computer software £m	Total £m
Cost or valuation				
At 1 January 2012	2 2	6 1	36 7	45 0
Additions	-	0 3	6 8	7 1
Reclassification	-		(0 1)	(0 1)
At 31 December 2012	2 2	6 4	43 4	52 0
Accumulated amortisation				
At 1 January 2012	0 2	2 7	24 6	27 5
Charge for the year	0 1	0 6	4 6	5 3
At 31 December 2012	0 3	3 3	29 2	32 8
Net book value at 31 December 2012	1 9	3 1	14 2	19 2

Company	Brands £m	Customer contracts and relationships £m	Computer software £m	Total £m
Cost or valuation				
At 1 January 2011	2 2	6 1	33 5	41 8
Additions	-		3 3	3 3
Disposals	-		(0 1)	(0 1)
At 31 December 2011	2 2	6 1	36 7	45 0
Accumulated amortisation				
At 1 January 2011	0 1	2 1	19 8	22 0
Charge for the year	0 1	0 6	4 8	5 5
At 31 December 2011	0 2	2 7	24 6	27 5
Net book value at 31 December 2011	2 0	3 4	12 1	17 5

Notes to the financial statements

8 Property plant and equipment

Group	Land and buildings £m	Motor vehicles £m	Plant and equipment £m	Information technology hardware £m	Total £m
Cost or valuation					
At 1 January 2012	152 3	114 9	128 8	30 3	426 3
Exchange adjustments	(1 6)	0 3	(0 2)	(0 1)	(1 6)
Reclassification	1 4	0 1	(3 0)	0 9	(0 6)
Additions	13 4	29 6	5 3	1 6	49 9
Disposal of subsidiary		(0 2)	(0 7)		(0 9)
Disposals	(14 1)	(9 6)	(5 2)	(0 3)	(29 2)
At 31 December 2012	**151 4**	**135 1**	**125 0**	**32 4**	**443 9**
Accumulated depreciation					
At 1 January 2012	70 2	64 3	91 1	23 3	248 9
Exchange adjustment	(0 7)	0 1	(0.3)		(0 9)
Reclassification	(0 4)	0 2	(1 2)	0 8	(0 6)
Charge for the year	5 1	16 6	7 8	2 9	32 4
Disposal of subsidiary	-	(0 2)	(0 6)		(0 8)
Disposals	(5 5)	(8 4)	(4 9)	(0 3)	(19 1)
At 31 December 2012	**68 7**	**72 6**	**91 9**	**26 7**	**259 9**
Net book value at 31 December 2012	**82 7**	**62 5**	**33 1**	**5 7**	**184 0**

Group	Land and buildings £m	Motor vehicles £m	Plant and equipment £m	Information technology hardware £m	Total £m
Cost or valuation					
At 1 January 2011	142 8	105 2	116 4	27 6	392 0
Exchange adjustments	(1 8)	(0 4)	(0 8)	(0 1)	(3 1)
Reclassification	(3 4)	(0 1)	(0 3)		(3 8)
Acquisition of subsidiaries	6 0	10 4	9 5	1 7	27 6
Additions	9 5	12 5	9 1	3 0	34 1
Disposals	(0 8)	(12 7)	(5 1)	(1 9)	(20 5)
At 31 December 2011	152 3	114 9	128 8	30 3	426 3
Accumulated depreciation					
At 1 January 2011	69 0	56 5	81 4	21 5	228 4
Exchange adjustment	(0 8)	(0 3)	(0 5)	(0 1)	(1 7)
Reclassification	(3 7)	(0 1)	-		(3 8)
Acquisition of subsidiaries	2 5	7 4	7 0	1 1	18 0
Charge for the year	4 0	12 4	8 0	2 6	27 0
Disposals	(0 8)	(11 6)	(4 8)	(1 8)	(19 0)
At 31 December 2011	70 2	64 3	91 1	23 3	248 9
Net book value at 31 December 2011	82 1	50 6	37 7	7 0	177 4

Land and buildings comprise

	2012 £m	2011 £m
Cost		
Freehold	113 3	127 3
Long leasehold	9 4	10 8
Short leasehold	28 7	14 2
	151 4	152 3
Accumulated depreciation		
Freehold	54 5	57 9
Long leasehold	3 6	4 4
Short leasehold	10 6	7 9
	68 7	70 2

Assets held under finance leases have the following net book amount

	2012 £m	2011 £m
Cost	77 6	55 5
Accumulated depreciation	(32 3)	(30 9)
Net book amount	45 3	24 6
Land and buildings	7 5	8 2
Motor vehicles	37 7	15 8
Plant and equipment	0 1	0 6
Net book amount	45 3	24 6

8 Property plant and equipment (continued)

Company	Land and buildings £m	Motor vehicles £m	Plant and equipment £m	Information technology hardware £m	Total £m
Cost or valuation					
At 1 January 2012	86 1	98 1	84 6	25 4	294 2
Reclassification	1 5		(2 2)	1 0	0 3
Additions	10 6	11 2	2 0	0 8	24 6
Disposals	(13 8)	(7 7)	(1 7)	(0 1)	(23 3)
At 31 December 2012	84 4	101 6	82 7	27 1	295 8
Accumulated depreciation					
At 1 January 2012	39 1	52.6	59 3	19 8	170 8
Reclassification	(0 1)		(0 5)	0 8	0 2
Charge for the year	2 2	11 5	4 0	2 1	19 8
Disposals	(5 3)	(6 7)	(1 4)	(0 1)	(13 5)
At 31 December 2012	35 9	57 4	61 4	22 6	177 3
Net book value at 31 December 2012	48 5	44.2	21 3	4 5	118 5

Company	Land and buildings £m	Motor vehicles £m	Plant and equipment £m	Information technology hardware £m	Total £m
Cost or valuation					
At 1 January 2011	86 0	97 6	81 0	24 1	288 7
Transfers from group undertakings		0 2			0 2
Reclassification	(3 3)		(0 3)		(3 6)
Additions	3 4	10 9	5 2	2 1	21 6
Disposals		(10 6)	(1 3)	(0 8)	(12 7)
At 31 December 2011	86 1	98 1	84 6	25 4	294 2
Accumulated depreciation					
At 1 January 2011	40 8	50 9	56 6	18 7	167 0
Transfers from group undertakings		0 2			0 2
Reclassification	(3 7)				(3 7)
Charge for the year	2 0	11 1	4 0	1 9	19 0
Disposals		(9 6)	(1 3)	(0 8)	(11 7)
At 31 December 2011	39 1	52 6	59 3	19 8	170 8
Net book value at 31 December 2011	47 0	45 5	25 3	5 6	123 4

Land and buildings comprise

	2012 £m	2011 £m
Cost or valuation		
Freehold	55 3	69 9
Long leasehold	9 4	10 8
Short leasehold	19 7	5 4
	84 4	86 1
Accumulated depreciation		
Freehold	26 7	31 2
Long leasehold	3 6	4 4
Short leasehold	5 6	3 5
	35 9	39 1

Assets held under finance leases have the following net book amount

	2012 £m	2011 £m
Cost or valuation	41 9	35 1
Accumulated depreciation	(19 6)	(21 5)
Net book amount	22.3	13 6
Motor vehicles	22.2	13 4
Plant and equipment	0 1	0 2
Net book amount	22 3	13 6

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9 (a) Investments in subsidiaries

	Investment in subsidiary undertakings (equity)		
	At cost	Provision	Net book value
Company	£m	£m	£m
At 1 January 2012	270 7	(28 0)	242 7
Disposal of subsidiary undertaking	(2 9)	2 9	
Capital reduction in subsidiary	(26 9)		(26 9)
Impairment	(0 9)	(26 8)	(27 7)
	240 0	(51 9)	188 1

Investments are recorded at cost which is the fair value of consideration paid The directors consider that the value of the investments are supported by their underlying assets

During the year the carrying value of the investments have been reviewed in conjunction with the impairment reviews carried out on goodwill (see note 6) Following this review impairments have arisen when writing down investments in certain dormant companies to the carrying value of the underlying assets

On 31 July 2012 the Company disposed of it's investment in Browns Foodservice Limited This investment was impaired in the previous year

The subsidiary undertakings at 31 December 2012 and 31 December 2011 unless otherwise stated are listed as follows

Name of Company	Country of incorporation	Percentage interest held	Operating in
The principal trading subsidiary undertakings are all involved in the supply of frozen chilled and ambient foods as well as catering supplies and equipment to the catering industry and are as follows			
Brake Bros Limited	England and Wales	100 00%	United Kingdom
Brake Bros Foodservice Limited	England and Wales	100 00%	United Kingdom
M&J Seafood Limited	England and Wales	100 00%	United Kingdom
Wild Harvest Limited	England and Wales	100 00%	United Kingdom
Freshfayre Limited	England and Wales	100 00%	United Kingdom
O Kane Food Service Limited	Northern Ireland	80 00%	United Kingdom
Brake Bros Foodservice Ireland Limited	Republic of Ireland	80 00%	Republic of Ireland
Brake France Service SAS	France	100 00%	Continental Europe
Menigo Foodservice AB	Sweden	66 67%	Continental Europe

Name of Company	Country of incorporation	Percentage interest held
Other subsidiary undertakings are as follows		
Trading companies		
Servicestyckarna i Johanneshov AB	Sweden	66 67%
Isakssons Frukt & Grönt AB	Sweden	66 67%
Fruktserice i Helsingborg AB	Sweden	66 67%
Restaurangakademien AB	Sweden	33 34%
Brake France Développement	France	100 00%
Non trading holding companies		
Cidron Food Holding S à r l	Luxembourg	66 67%
Cidron Food Services S à r l	Luxembourg	66 67%
Brake France SAS	France	100 00%
Dormant companies and other non-trading companies		
Brakes Limited	England and Wales	100 00%
Campbell & Neill Limited	England and Wales	100 00%
Cearns & Brown (Southern) Limited	England and Wales	100 00%
John Morris Leasing Limited	England and Wales	100 00%
Stockflag Limited	England and Wales	100 00%
Taste of the Wild Limited	England and Wales	100 00%
W Pauley & Co Limited	England and Wales	50 00%
Watson & Philip Cearns & Brown (South East) Limited	England and Wales	100 00%
Woodward Foodservice Limited	England and Wales	100 00%
Scotia Campbell Marine Limited	Scotland	100 00%
Menigo Foodservice Norge AS	Sweden	66 67%
Fruktserice i Malmö AB	Sweden	66 67%
Fastighetsaktiebolaget Guldfrukten i Lund AB	Sweden	66 67%
Menigo Invest 1 AB	Sweden	66 67%
Menigo Invest 2 AB	Sweden	66 67%
Carigel SA	France	100 00%
SCI Bianchi Montegut	France	100 00%
SCI Le Dauphin	France	100 00%
Société Bretonne Alimentaire	France	100 00%
Financière Du Rohein	France	100 00%
SCI De Boiseau	France	100 00%
SCI De Garcelles	France	100 00%
Group Rault	France	100 00%
SCI JD Lanjouan	France	100 00%
Rault Lamballe	France	100 00%
Rault Sud	France	100 00%
Rault Vendome	France	100 00%
Rault Nantes	France	100 00%
Rault Caen	France	100 00%

The subsidiary undertaking Browns Foodservice Limited was disposed of during the year

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9 (b) Investments in associates

Group and company	2012 £m	2011 £m
At 1 January	-	13 7
Share of profit	-	0 9
Disposal of associate	-	(14 6)
At 31 December	-	

10 Inventories

	Group 2012 £m	Group 2011 £m	Company 2012 £m	Company 2011 £m
Raw materials and consumables	2 5	2 3	2 0	1 7
Finished goods and goods for resale	109 6	99 4	58 7	46 9
	112 1	101 7	60 7	48 6

11 Trade and other receivables

	Group 2012 £m	Group 2011 £m	Company 2012 £m	Company 2011 £m
Trade receivables	110 8	79 8	14 9	1 5
Trade receivables factored	154 0	162 6	-	
Less provision for impairment of receivables	(9 1)	(8 3)		
Trade receivables net	255 7	234 1	14 9	1 5
Amounts owed by group undertakings	-		55 4	62 8
Amounts owed by parent undertakings	268 1	367 0	270 8	367 0
Loans owed by parent undertakings	64 9	46 6	64 9	46 6
Loans owed by group undertakings			4 4	10 9
Other receivables	2 7	5 9	1 6	1 5
Prepayments	15 3	14 8	8 9	8 4
	606 7	670 4	420 9	500 7

During the year certain subsidiary companies of the Group sold trade receivables to a special purpose entity Brake Bros Receivables 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 The transaction has been accounted for as a collateralised borrowing (see note 15) In case Brake Bros Receivables Limited defaults under the loan agreement the lender has the right to receive the cash flows from the receivables transferred Without default Brake Bros Receivables Limited will collect the receivables and allocate new receivables as collateral The total amount pledged as collateral for borrowings is £154 0m (2011 £162 6m)

The creation and release of a provision for the impaired receivables have been included in direct purchase costs in the income statement

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 the normal provision for doubtful receivables Therefore the maximum exposure to credit risk at the reporting date is the fair value of each class of receivable The group and Company do not hold any collateral as security

As of 31 December 2012 Group trade receivables of £210 3m (2011 £196 2m) and Company trade receivables of £14 9m (£2011 £1 5m) were fully performing

As of 31 December 2012 Group trade receivables of £45 1m (2011 £37 5m) were past due but not impaired These relate to a number of customers for whom there is no recent history of default The ageing analysis of these trade receivables is as follows

	Group 2012 £m	Group 2011 £m	Company 2012 £m	Company 2011 £m
Up to 3 months	44 4	36 0		-
3 to 6 months	0 7	1 5		-
	45 1	37 5		-

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11 Trade and other receivables (continued)

As of 31 December 2012 trade receivables of £9 4m (2011 £8 7m) were impaired and provided for The amount of the provision was £9 1m as of 31 December 2012 (2011 £8 3m) The individually impaired receivables mainly relate to customers which are in unexpectedly difficult economic situations It was assessed that a portion of the receivables is expected to be recovered The ageing analysis of these trade receivables is as follows

	Group 2012 £m	Group 2011 £m	Company 2012 £m	Company 2011 £m
Up to 3 months	2 9	2 3		-
3 to 6 months	3 0	2 2		-
Over 6 months	3 5	4 2		-
	9.4	8 7		-

The book value of trade and other receivables with a maturity of less than one year are assumed approximate to fair value

The carrying amounts of the trade and other receivables are denominated in the following currencies

	Group 2012 £m	Group 2011 £m	Company 2012 £m	Company 2011 £m
Pounds	502 2	576 7	420 0	499 8
Euros	53 7	49 9	0 7	0 4
Swedish Krona	50 8	43 8	0 2	0 5
	606 7	670 4	420 9	500 7

Movements on the provision for impairment of trade receivables are as follows

	Group 2012 £m	Group 2011 £m	Company 2012 £m	Company 2011 £m
At 1 January	8 3	6 8	-	0 2
Exchange adjustment	(0 1)	(0 1)	-	-
Acquisition of subsidiaries	-	1 5		-
Amounts transferred to group undertakings	-		-	(0 2)
Provision for receivables impairment	4 6	4 2	-	-
Receivables written off during the year as uncollectible	(3 7)	(4 1)		-
At 31 December	9 1	8 3		-

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 a normal provision for impaired receivables Therefore the maximum exposure to credit risk at the reporting date is the fair value of each class of receivable The Group and Company does not hold any collateral as security

The other classes within trade and other receivables do contain impaired assets

12 Cash and cash equivalents

	Group 2012 £m	Group 2011 £m	Company 2012 £m	Company 2011 £m
Cash at bank and in hand	85 9	66 1	44 9	22 7
Short term bank deposits	82 5	79 1	80 0	75 4
	168 4	145 2	124 9	98 1

The effective interest rate on short term deposits was 0 25% (2011 0 25%) and these deposits have an average maturity of 1 day (2011 1 day) The effective interest rate on company cash at bank and in hand is 0% (2011 0%)

13 Trade and other payables

	Group 2012 £m	Group 2011 £m	Company 2012 £m	Company 2011 £m
Trade payables	359 8	323 2	262 2	233 9
Amounts owed to parent undertakings	65 0	180 5	43 5	144 8
Amounts owed to group undertakings	-		119.5	129 1
Other taxes and social security	22 6	20 2	8 3	5 4
Other payables	16 5	19 0	0 2	0 7
Accruals	43 3	29 1	34 8	22 4
	507 2	572 0	468 5	536 3

Amounts owed to group and parent undertakings are non-interest bearing unsecured and are repayable on demand

14 Current tax liabilities

	Group 2012 £m	Group 2011 £m	Company 2012 £m	Company 2011 £m
Corporation tax - overseas	0 2	0 2	-	
	0 2	0 2		

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15 Financial liabilities - borrowings

	Group		Company	
	2012	2011	2012	2011
Current	£m	£m	£m	£m
Loans owed to parent undertakings	13 9	27 5	13 9	27 5
Loans owed to group undertakings			0 1	39 7
Loan notes	0 4	0 4		
Bank loans	0 4	3 0		
Finance lease obligations	12 8	7 2	6 9	5 6
	27 5	38 1	20 9	72 8

	Group		Company	
	2012	2011	2012	2011
Non-current	£m	£m	£m	£m
Loans owed to parent undertakings	13 9	27 5	13 9	27 5
Loans owed to group undertakings	-		0 1	39 7
Loan notes	0 6	1 1		
Bank loans	154 6	161 5	-	
Debt issue costs	(2 7)	(1 5)		
Finance lease obligations	41 0	19 2	23 2	14 7
	207 4	207 8	37 2	81 9
Less amounts falling due within one year	(27 5)	(38 1)	(20 9)	(72 8)
	179 9	169 7	16 3	9 1

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 Further information regarding this is given in note 11 of the financial statements

The carrying amounts of the Group and Company's borrowings are denominated in the following currencies

	Group		Company	
	2012	2011	2012	2011
	£m	£m	£m	£m
Pounds Sterling	145 9	154 2	23 3	28 6
Euros	16 7	3 2	0 0	39 3
Swedish Krona	44 8	50 4	13 9	13 8
	207 4	207 8	37 2	81 9

The maturity of borrowings is set out in note 16(a) The exposure of the Group and the Company to interest rate changes is as follows

	Group		Company	
	2012	2011	2012	2011
	£m	£m	£m	£m
Borrowings at floating interest rates	159 6	162 0	14 0	67 2
Fixed rate borrowings maturing				
within one year	7 9	6 8	6 9	5 6
one to five years	38 6	38 3	15 0	3 4
over five years	1 3	0 7	1 3	5 7
	207 4	207 8	37 2	81 9

The effective interest rates at date of the statement of financial position were as follows

	Group	
	2012	2011
Bank loans	3 1%	3 4%
Finance lease obligations	6 0%	6 7%
Loans owed to parent undertakings	6 6%	5 2%

16 Financial instruments

16 (a) Financial instruments - narrative disclosure
Disclosures in respect of the Group s financial risks are set out below Additional disclosures are set out in the Accounting Policies (on pages 12 to 16) and numerical disclosures in respect of financial instruments are set out in note 16(b) 16(c) and 16(d)

Financial risk management

Financial risk factors
The Group has operations in the UK the Republic of Ireland France and Sweden and has debt financing which exposes it to a variety of financial risks that include the effects of changes in debt market prices foreign currency exchange rates credit risks liquidity and interest rates The Group has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the Group by using foreign currency debt to hedge overseas investments in subsidiaries and interest hedging agreements to limit the impact from potential future interest rate increases

The Group's 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 currency exchange risk interest rate risk credit risk liquidity risk and the use of financial instruments to manage these

(i) Foreign currency exchange risk
The Group has operations in the UK, the Republic of Ireland France and Sweden The Group is exposed to foreign exchange risks primarily with respect to the Euro and Swedish Krona Exposure to the Swedish Krona is not considered material The Group has certain investments in foreign operations whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the Group's foreign operations is managed primarily through borrowings denominated in the Euro

Notes to the financial statements

16 Financial instruments (continued)

16 (a) Financial instruments - narrative disclosure (continued)
(ii) Interest rate risk
The Group has both interest bearing assets and interest bearing liabilities The Group's interest rate risk primarily arises from floating interest rate long term borrowings Borrowings issued at variable rates expose the Group to cash flow interest rate risk During 2012 the Group's borrowings at variable rate were primarily denominated in the UK Pound The Group analyses its interest rate exposure to a shift in interest rates The Group calculates the impact on profit and loss of a defined interest rate shift The scenarios are run only for assets and liabilities that represent the major interest bearing positions Based on the simulations performed the impact on post tax profit of a 10% shift would be a maximum increase or decrease of £0 3m

(iii) Credit risk
The Group has no significant concentrations of credit risk Credit risk arises from cash and cash equivalents as well as credit exposures to customers including outstanding receivables and committed transactions For banks independently rated parties within the band A rating are used for the main Group banking requirements and wherever possible for subsidiary day to day operating requirements For customers risk control assesses the credit quality of the customer taking into account its financial position past experience and other factors Individual risk limits are set based on internal or external ratings The Group has implemented policies that require appropriate credit checks on potential customers before sales commence

The table below shows the credit rating and balance of the major bank counterparties at the date of the statement of financial position A full analysis of cash at bank and short term deposits is included in note 16(d) to the financial statements

Group	2012		2011	
Counterparty	Rating	Balance £m	Rating	Balance £m
Bank A	A+	125 6	A+	97 3
Bank B	A	2 5	A+	3 1
Bank C	A+	12 1	AA	10 3
Bank D	A	8 4	A+	13 1
Bank E	A	0 4	A	2 8
Bank F	BB+	5 4	BB+	8 6
Bank G	A+	12 8	A+	6 4
Bank H	A-	0 6	A	0 4
Bank I			AA	0 3
Bank J	AA-	0 4	AA	0 8
Bank H	A+	0 1		
Bank I	AA-	0 1		
		168 4		145 1

Company	2012		2011	
Counterparty	Rating	Balance £m	Rating	Balance £m
Bank A	A+	122.4	A+	92 5
Bank B	A	2 1	A+	2 7
Bank E	A	0 4	A	2 8
		124 9		98 0

Management does not expect any losses from non-performance by these counterparties

(iv) Liquidity risk
The Group actively maintains a mixture of long-term and short-term facilities that are designed to ensure the Group has sufficient available funds for operations and planned expansions
Management monitors rolling forecasts of the Group's liquidity reserve (comprises undrawn borrowing facility (note 16(c)) and cash and cash equivalents (note 12)) on the basis of expected cash flow

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the date of the statement of financial position to the contract maturity date The amounts disclosed in the table are the contractual undiscounted cash flows Balances due within 12 months are not discounted as the impact of discounting is not significant

At 31 December 2012	Less than one year £m	Between one and two years £m	Between two and five years £m	Over five years £m	Total £m
Borrowings	27 5	11 1	166 9	1 9	207 4
Trade and other payables excluding statutory liabilities	484 6		-	-	484 6
Total	512.1	11 1	166 9	1 9	692 0

At 31 December 2011	Less than one year £m	Between one and two years £m	Between two and five years £m	Over five years £m	Total £m
Borrowings	38 1	0 9	1 0	167 8	207 8
Trade and other payables excluding statutory liabilities	551 8	-			551 8
Total	589 9	0 9	1 0	167 8	759 6

Capital risk management
The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital These objectives are managed at the ultimate UK Group level Cucina Lux Investments Limited rather than at a lower Group level

The overall debt and equity structure of the Company is under the control of the ultimate parent company Cucina (BC) Luxco S à r l There are no external capital requirements on the Company Further details of the share capital of the Company can be found in note 20 of the financial statements

16 Financial instruments (continued)

16 (b) Financial Instruments by category

The accounting policies for financial instruments have been applied to the line items below

Group	2012 Loans and receivables £m	2011 Loans and receivables £m
At 31 December		
Assets as per statement of financial position		
Trade and other receivables	591 4	655 6
Cash and cash equivalents	168 4	145 2
	759 8	800 8

Group	2012 Other financial liabilities £m	2011 Other financial liabilities £m
At 31 December		
Liabilities as per statement of financial position		
Financial liabilities - borrowings	207 4	207 8
Trade and other payables excluding statutory liabilities	484 6	551 8
	692 0	759 6

Company	2012 Loans and receivables £m	2011 Loans and receivables £m
At 31 December		
Assets as per statement of financial position		
Trade and other receivables	412 0	492 3
Cash and cash equivalents	124 9	98 1
	536 9	590 4

Company	2012 Other financial liabilities £m	2011 Other financial liabilities £m
At 31 December		
Liabilities as per statement of financial position		
Financial liabilities - borrowings	37 2	81 9
Trade and other payables excluding statutory liabilities	460 2	530 9
	497 4	612 8

16 (c) Financial Instruments numerical disclosures

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

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

Group	At 31 December 2012 Book value £m	At 31 December 2012 Fair value £m	At 31 December 2011 Book value £m	At 31 December 2011 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	(27 5)	(27 5)	(38 1)	(38 1)
Other long term borrowings	(179 9)	(162 6)	(169 7)	(149 2)
Trade and other payables	(507 2)	(507 2)	(572 0)	(572 0)
Trade and other receivables	591 4	591 4	655 6	655 6
Cash and cash equivalents	168 4	168 4	145 2	145 2
Retirement benefit obligations	(63 5)	(63 5)	(60 1)	(60 1)

The book values of short term bank deposits loans and other borrowings with a maturity of less than one year are assumed to approximate to their fair 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 estimated market interest rate available to the Group for similar financial instruments

Company	At 31 December 2012 Book value £m	At 31 December 2012 Fair value £m	At 31 December 2011 Book value £m	At 31 December 2011 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	(20 9)	(20 9)	(72 8)	(72 8)
Other long term borrowings	(16 3)	(12.0)	(9 1)	(8 3)
Trade and other payables	(468.5)	(468 5)	(536 3)	(536 3)
Trade and other receivables	412 0	412 0	492 3	492 3
Cash and cash equivalents	124 9	124 9	98 1	98 1
Retirement benefit obligations	(38 7)	(38 7)	(36 6)	(36 6)

Notes to the financial statements

16 (c) Financial instruments numerical disclosures (continued)

Borrowing facilities

The Group headed by Brake Bros Limited has undrawn committed borrowing facilities available at 31 December 2012 of £12 5m (2011 £12 4m) These are at floating interest rates and expire beyond one year

The minimum lease payments under finance leases fall due as follows

	Group 2012 £m	2011 £m	Company 2012 £m	2011 £m
Not later than one year	15 0	9 0	8 5	6 6
Later than one year but not more than five	29 5	13 0	17 5	10 7
More than five years	2 1	0 5	1 5	-
	46 6	22 5	27 5	17 3
Future finance charges on finance leases	(5 6)	(3 3)	(4 3)	(2 6)
Present value of finance lease liabilities	41 0	19 2	23 2	14 7

16 (d) Credit quality of financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to our Group risk profile indication based upon information provided by our external credit agencies

	Group 2012 £m	2011 £m	Company 2012 £m	2011 £m
Trade receivables				
Low risk	150 8	127 4	14 9	0 8
Medium risk	46 3	54 7	-	0 4
High risk	13 2	14 1	-	0 3
Total trade receivables	210 3	196 2	14 9	1 5

These categories of risk reflect the relative credit risk attributable to our trade receivables

	Group 2012 £m	2011 £m	Company 2012 £m	2011 £m
Cash at bank and short term deposits (see note below)				
AA	0 5	11 4	-	-
A +	150 6	121 9	124 5	95 2
A	11 3	3 2	0 4	2 8
A	0 6		-	-
BB +	5 4	8 6	-	-
	168 4	145 1	124 9	98 0

The rest of the statement of financial position item cash and cash equivalents is cash in hand

17 Retirement benefit obligations

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 the Company

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

The Brakes Money Purchase Pension Plan is contracted into the State pension scheme and minimum contribution rates are 3% of pensionable salary for members and 4% for employers with higher employers contributions for managers 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 2012 £m	2011 £m	Company 2012 £m	2011 £m
Defined contribution schemes	6 6	5 4	4 8	4 4

Notes to the financial statements

17 Retirement benefit obligations (continued)

Defined benefit plans

Retirement benefit obligations	Group 2012 £m	Group 2011 £m	Company 2012 £m	Company 2011 £m
At 1 January	60 1	24 6	36 6	20 9
Exchange adjustment	0 1	(0 7)	-	-
On acquisition of subsidiary undertaking	-	18 0	-	-
Interest on obligation	9 7	9 8	8 8	9 4
Expected return on scheme assets	(8 2)	(9 8)	(8 2)	(9 8)
Obligations accrued in the year	1 1	0 5	-	-
Contributions paid in the year	(3 8)	(2 2)	(3 2)	(2 0)
Actuarial losses recognised in equity	4 6	19 9	4 7	18 1
At 31 December	63 5	60 1	38 7	36 6

Brake Bros plc Pension Scheme retirement benefit obligations up to a maximum amount of £20 0m (2011 £20 0m) are secured by way of a charge over certain property plant and equipment of the Group

The most recent actuarial valuation of The Brake Bros plc Pension Scheme was carried out at 5 April 2010 The principal assumptions made by the actuaries for the years ended 31 December were

	2012 %	2011 %
UK assumptions		
Rate of increase in pensions in payment and deferred pensions	2 9	3 0
Discount rate	4 7	4 9
Inflation assumption RPI	2.95	3 1
Inflation assumption CPI	2 25	2 2
Expected return on plan assets	5 6	5 7
France assumptions.		
Discount rate	3 25	4 3
Sweden assumptions.		
Discount rate	3 6	3 6
Salary increase	3 0	3 0
Inflation	2 0	2 0

Mortality rate UK assumptions

Assumptions regarding future mortality experience are set based on advice and published statistics The average life expectancy in years of a pensioner retiring at age 65 on the date of the statement of financial position is as follows

	2012	2011
Male	21 5	21 5
Female	23 9	23 9

The average life expectancy in years of a pensioner retiring at age 65 20 years after the date of the statement of financial position is as follows

	2012	2011
Male	22 8	22 8
Female	25 5	25 5

Pensions and other post-retirement obligations

The amounts recognised in the statement of financial position at 31 December are determined as follows

Group	2012 £m	2011 £m	2010 £m	2009 £m	2008 £m
Present value of funded obligations	193 6	182 9	167 8	164 7	132 1
Present value of unfunded obligations	24 8	23 5	3 7	3 3	3 1
Fair value of plan assets	(154 9)	(146 3)	(146 9)	(134 3)	(119 2)
Net pension liability recognised in the statement of financial position	63 5	60 1	24 6	33 7	16 0
Experience gains / (losses) on plan assets for the year	3 2	(7 3)	7 5	9 6	(26 9)
Experience (losses) / gains on scheme liabilities for the year	(1 1)	(12 6)	(9 3)	(26 7)	19 5

Company	2012 £m	2011 £m	2010 £m	2009 £m	2008 £m
Present value of funded obligations	193 6	182 9	167 8	164 7	132 1
Fair value of plan assets	(154 9)	(146 3)	(146 9)	(134 3)	(119 2)
Net pension liability recognised in the statement of financial position	38 7	36 6	20 9	30 4	12 9
Experience gains / (losses) on plan assets for the year	3 2	(7 3)	7 5	9 6	(26 9)
Experience (losses) / gains on scheme liabilities for the year	(7 9)	(10 8)	(9 2)	(26 6)	19 5

Notes to the financial statements

17 Retirement benefit obligations (continued)

Analysis of movement in present value of pension obligations

	Group 2012 £m	Group 2011 £m	Company 2012 £m	Company 2011 £m
At 1 January	206 4	171 5	182 9	167 8
Exchange adjustment	0 1	(0 7)	-	-
On acquisition of subsidiary undertakings		18 0	-	-
Interest cost	9 7	9 8	8 8	9 4
Actuarial losses	7 7	12 6	7 9	10 8
Contributions paid by employer	(0 6)	(0 2)	-	-
Obligations accrued in the year	1 1	0 5	-	-
Benefits paid	(6 0)	(5 1)	(6 0)	(5 1)
At 31 December	218 4	206 4	193 6	182 9
Represented by				
Funded obligations	193 6	182 9	193 6	182 9
Unfunded obligations	24 8	23 5		
	218 4	206 4	193 6	182 9

Analysis of movement in fair value of scheme assets

	Group and Company 2012 £m	Group and Company 2011 £m
At 1 January	146 3	146 9
Expected return on plan assets	8 2	9 8
Actuarial gains / (losses)	3 2	(7 3)
Contributions paid by employer	3 2	2 0
Benefits paid	(6 0)	(5 1)
At 31 December	154 9	146 3

The current contribution schedule in place will have the Group and Company make a cash contribution of £2 2m in respect of the UK retirement benefit obligations in the year ending 31 December 2013 On 31 December 2012 a payment of £1m was made in respect of the £2 2m scheduled contributions due in 2013 leaving a balance of £1 2m due for payment in 2013

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

	2012 Long term rate of return expected per annum %	2012 Value £m	2011 Long term rate of return expected per annum %	2011 Value £m
Equities	7 3	75 7	7 5	68 5
Bonds	3 3	59 5	3 5	59 7
Other assets	5 8	19 7	6 4	18 1
	5 6	154 9	5 7	146 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 consolidated income statement are as follows

	Group 2012 £m	Group 2011 £m	Company 2012 £m	Company 2011 £m
Interest obligation included within interest costs	9 7	9 8	8 8	9 4
Expected return on scheme assets - included within interest receivable	(8 2)	(9 8)	(8 2)	(9 8)
Net expense	1 5		0 6	(0 4)

Group actuarial losses of £4 5m (2011 £19 9m) were recognised in the year and included in the consolidated statement of comprehensive income The cumulative amount of actuarial losses included in the consolidated statement of comprehensive income is £53 5m (2011 £49 0m)

Company actuarial losses of £4 7m (2011 £18 1m) were recognised in the year and included in the company statement of comprehensive income The cumulative amount of actuarial gains and losses recognised in the company statement of comprehensive income since the Company's transition to IFRS amount to a loss of £45 9m (2011 £41 2m)

The actual gain on plan assets was £11 4m (2011 £2 5m)

Notes to the financial statements

18 Provisions for other liabilities and charges

Property dilapidation obligations	Group 2012 £m	2011 £m	Company 2012 £m	2011 £m
At 1 January	12 1	10 6	8 5	8 0
Credited to the income statement during the year		(0 3)		(0 3)
Provisions for property plant and equipment additions during the year	0 6	2 0	0 6	0 9
Utilised during the year		(0 2)	-	(0 1)
At 31 December	12 7	12 1	9 1	8 5
Non-current	11 3	11 4	7 7	7 8
Current	1 4	0 7	1 4	0 7
	12 7	12 1	9 1	8 5

Property dilapidation obligations relate to leasehold property held by the group and primarily represent obligations to reinstate property to its original condition at the end of the lease term

19 Deferred tax assets

The movement on the deferred tax account is as shown below

	Group 2012 £m	2011 £m	Company 2012 £m	2011 £m
Deferred tax assets				
At 1 January	32 2	31 5	27 4	20 9
Acquisition of subsidiaries	-	0 1	-	
Exchange adjustment	(0 1)	(0 1)	-	
Tax credit on retirement benefit obligation actuarial loss taken directly to other comprehensive income	0.4	4 7	0 4	4 1
(Charged) / credited to the income statement in the year	(1 9)	(4 0)	(1 4)	2 4
At 31 December	30 6	32 2	26 4	27 4

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	Retirement benefit obligations £m	Tax losses £m	Other temporary differences £m	Total £m
Deferred tax assets				
At 1 January 2012	9 7	6 7	15 8	32 2
Exchange adjustment	-	(0 1)		(0 1)
Tax credit on retirement benefit obligation actuarial loss taken directly to other comprehensive income	0 4		-	0 4
(Charged) / credited to the income statement in the year	0 7	0 4	(3 0)	(1 9)
At 31 December 2012	10 8	7 0	12.8	30 6

Group	Retirement benefit obligations £m	Tax losses £m	Other temporary differences £m	Total £m
Deferred tax assets				
At 1 January 2011	5 7	9 8	16 0	31 5
Acquisition on subsidiaries		1 9	(1 8)	0 1
Exchange adjustment		(0 1)		(0 1)
Tax credit on retirement benefit obligation actuarial loss taken directly to other comprehensive income	4 7			4 7
(Charged) / credited to the income statement in the year	(0 7)	(4 9)	1 6	(4 0)
At 31 December 2011	9 7	6 7	15 8	32 2

Company	Retirement benefit obligations £m	Tax losses £m	Other temporary differences £m	Total £m
Deferred tax assets				
At 1 January 2012	9 2	4 4	13 8	27 4
Tax credit on retirement benefit obligation actuarial loss taken directly to other comprehensive income	0 4	-	-	0 4
(Charged) / credited to the income statement in the year	(0 6)	1 1	(1 9)	(1 4)
At 31 December 2012	9 0	5 5	11 9	26 4

19 Deferred tax assets (continued)

Company	Retirement benefit obligations £m	Tax losses £m	Other temporary differences £m	Total £m
Deferred tax assets				
At 1 January 2011	5 7	3 6	11 6	20 9
Tax credit on retirement benefit obligation actuarial loss taken directly to other comprehensive income	4 1		-	4 1
(Charged) / credited to the income statement in the year	(0 6)	0 8	2 2	2 4
At 31 December 2011	9 2	4 4	13 8	27 4

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 £27 7m (2011 £29 4m) There are unrecognised deferred tax assets of £10 1m (2011 £14 4m) in respect of unutilised tax losses in the UK The deferred tax credited to other comprehensive income during the year is £0 4m (2011 £4 7m)

20 Share capital

Group and Company		2012 £m	2011 £m
Authorised			
58 000 000 (2011 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	5 4

21 Reserves

Group	Retained earnings £m	Other reserves: Business combinations under common control £m	Other £m	Total £m
At 1 January 2012	429 0	(14 1)	13 4	428 3
Retirement benefit obligation actuarial loss	(4 5)			(4 5)
Taxation on retirement benefit obligation actuarial loss	0 4			0 4
Currency translation differences			(3 0)	(3 0)
Cash flow hedges - fair value gains			0 1	0 1
Profit for the year	43 7			43 7
At 31 December 2012	468 6	(14 1)	10 5	465 0

Group	Retained earnings £m	Other reserves: Business combinations under common control £m	Other £m	Total £m
At 1 January 2011	404 0	-	16 0	420 0
Retirement benefit obligation actuarial loss	(19 9)	-		(19 9)
Taxation on retirement benefit obligation actuarial loss	4 4	-		4 4
On acquisition of subsidiary undertaking		(14 1)		(14 1)
Currency translation differences	-		(2 7)	(2 7)
Cash flow hedges fair value gains	-		0 1	0 1
Profit for the year	40 5			40 5
At 31 December 2011	429 0	(14 1)	13 4	428 3

Included within other reserves are cumulative exchange gains of £9 5m (2011 £12 5m) and gains on the fair value of cash flow hedges of £1 0m (2011 £0 9m)

Company	Retained earnings £m	Other £m	Total £m
At 1 January 2012	376 4	10 7	387 1
Profit for the year	14 4	-	14 4
Retirement benefit obligation actuarial loss	(4 7)	-	(4 7)
Deferred tax on retirement benefit obligation actuarial loss	0 4	-	0 4
At 31 December 2012	386 5	10 7	397 2

Company	Retained earnings £m	Other reserves £m	Total £m
At 1 January 2011	353 9	10 7	364 6
Profit for the year	36 5		36 5
Retirement benefit obligation actuarial loss	(18 1)		(18 1)
Deferred tax on retirement benefit obligation actuarial loss	4 1		4 1
At 31 December 2011	376 4	10 7	387 1

Other reserves include £10 9m (2011 £10 9m) in respect of the differences between the nominal value and fair value of shares issued for the acquisition of subsidiary companies Also included within other reserves are cumulative exchange losses of £0 2m (2011 £0 2m)

Notes to the financial statements

22 Cash generated from operations

Reconciliation of profit before taxation to cash generated from operations

	Group 2012 £m	Group 2011 £m	Company 2012 £m	Company 2011 £m
Profit before taxation	59 0	65 2	21 7	51 2
Adjustments for				
Finance income	(12 1)	(12 8)	(12 9)	(14 0)
Finance costs	20 2	16 0	12 3	13 6
Dividends received	-	-	(8 3)	(9 5)
Impairment of goodwill brands and customer contracts and relationships	-	3 8	-	
Impairment of investment	-		27 6	6 2
Depreciation charges	32 4	27 0	19 8	19 0
Amortisation of intangibles	8 6	7 2	6 3	5 5
Retirement benefit contributions paid	(3 8)	(2 2)	(3 2)	(2 0)
Share of profit from associate	-	(0 9)	-	(0 9)
(Profit) / loss on sale of property plant and equipment	(6 7)	0 2	(6 7)	
(Increase) / decrease in inventories	(11 1)	(0 7)	(12 1)	4 5
(Increase) / decrease in trade and other receivables	(21.4)	(0 6)	(14 0)	8 9
Increase in trade and other payables	66 6	23 9	44 4	11 3
Cash generated from operations	121 6	126 1	76 9	93 8

23 Employees and directors' emoluments

Average monthly number of people employed by the Group and Company during the year	Group 2012 Number	Group 2011 Number	Company 2012 Number	Company 2011 Number
Distribution manufacturing and selling	9,229	8 440	5 768	5 529
Administration	851	886	486	489
	10,080	9 326	6,254	6 018

	Group 2012 £m	Group 2011 £m	Company 2012 £m	Company 2011 £m
The costs incurred in respect of these employees were				
Wages and salaries	274 7	239 7	169 1	151 7
Social security costs	48 7	41 0	16 3	14 5
Defined benefit pension costs	0 9	0 2		
Defined contribution pension costs (note 17)	6 6	5 4	4 8	4 4
	330 9	286 3	190 2	170 6

Key management compensation

	2012 £'000	2011 £'000
Salaries and short term benefits	8 656	5 168
Post-employment benefits	423	274
	9,079	5 442

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

During the year certain employees held 2 188 797 050 A-D ordinary shares and loan notes with a nominal value of £4 622 090 in a parent undertaking Cucina Investments (UK) 2 Limited as part of a management incentive plan On 23 November 2012 the equity element of the management incentive plan which had been in place since 16 July 2010 was cancelled no IFRS 2 charge had previously been recognised for the equity settled shares within this scheme as the fair value of the shares at the grant date was materially equal to the market value that employees had paid On 23 November 2012 a new package of shares and loan notes in a parent undertaking Cucina Investments (UK) 3 Limited was entered into with employees holding 31 042 457 A ZZ ordinary shares and loan notes with a nominal value of £2 662 802 Certain employees retained their loan notes within Cucina Investments (UK) 2 Limited The new shares are equity settled no IFRS 2 charge is recognised within the financial statements of Cucina Investments (UK) 3 Limited because the fair value of the new equity issued is considered to be materially equal to the market value

The loan notes held by employees in the parent undertaking Cucina Investments (UK) 2 Limited accrue interest at 14 75% until April 2013 when the interest then reduces to 7% the loan notes held by employees in the parent undertaking Cucina Investments (UK) 3 Limited accrue interest at 7%

Directors of the Company and of subsidiary undertakings hold 13 298 953 A Z shares and loan notes with a nominal value of £1 055 333 in a parent undertaking, Cucina Investments (UK) 3 Limited and loan notes with a nominal value of £982 279 in a parent undertaking Cucina Investments (UK) 2 Limited

Directors' emoluments

	2012 £'000	2011 £'000
Aggregate emoluments	2,934	1 966
Company pension contributions to money purchase schemes	154	161

Retirement benefits are accruing to 6 (2011 6) directors under money purchase pension arrangements only

	2012 £'000	2011 £'000
Emoluments paid to the highest paid director are as follows		
Aggregate emoluments and benefits	1 008	624
Company pension contributions to money purchase schemes	60	60

Notes to the financial statements

24 Commitments

(a) Capital commitments

	Group 2012 £m	Group 2011 £m	Company 2012 £m	Company 2011 £m
Contracted for but not provided	11 9	8 6	11 1	0 5

The Group leases various properties and plant and equipment under non-cancellable operating lease agreements The leases have various terms and renewal rights The Group has also sub-let certain properties under non-cancellable sublease agreements and the total of future minimum lease payments expected to be received amounts to £0 4m (2011 £1 2m)

(b) Operating lease commitments
The total of future minimum lease payments in respect of non-cancellable operating leases are as follows

Group	2012 Land and buildings £m	2012 Other £m	2011 Land and buildings £m	2011 Other £m
Within one year	18 1	4 8	13 8	5 2
Between two and five years	62 6	9 9	39 3	23 7
After five years	103 4	3 5	35 5	14 7
	184 1	18 2	88 6	43 6

Company	2012 Land and buildings £m	2012 Other £m	2011 Land and buildings £m	2011 Other £m
Within one year	8 8	3 1	5 6	2 6
Between two and five years	31 3	3 5	19 2	5 3
After five years	83 4	-	18 8	
	123 5	6 6	43 6	7 9

The Company and the 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 the Group has also sub-let certain properties under non-cancellable sublease agreements and the total of future minimum lease payments expected to be received by the Group amounts to £0 4m (2011 £1 2m) and by the Company amounts to £0 1m (2011 £0 2m)

25 Related party transactions

During the year the Company continued to provide and receive funding to and from other Group Companies and has also into certain other transactions with other Companies in the Cucina (BC) Luxco S à r l group Details of these transactions are as follows

	2012 £m	2011 £m
Loans owed by parent undertakings	64 9	48 6
Loans owed by subsidiary undertakings	4 4	10 9
Loans owed to subsidiary undertakings	(0 1)	(39 7)
Loans owed to parent undertakings	(13 9)	(27 5)
Amounts owed by parent undertakings	270 8	367 0
Trade and other payables owed to parent undertakings	(43 5)	(144 8)
Trade and other payables owed to group undertakings	(119.5)	(129 1)
Trade and other receivables owed by subsidiary undertakings	55 4	62 8
Interest payable to parent undertakings	(0 8)	(0 7)
Interest payable to subsidiary undertakings	(0 4)	(0 9)
Interest receivable from subsidiary undertakings	0 4	0 4
Interest receivable from parent undertakings	3 0	2 5
Sales to subsidiary undertakings	56 4	52 7
Purchases from subsidiary undertakings	17 2	18 1

None of the balances owed to or by parent undertakings subsidiary undertakings or associates are secured

As disclosed in note 26 to the financial statements the ultimate controlling parties of the Company are Bain Capital Fund IX E LP and Bain Capital Fund VIII E LP In addition to the above transactions the Group and Company also purchased management and consulting services and financial and other advisory services from Bain Capital In 2012 these advisory fees in the Company amounted to £5 9m (2011 £7 6m) with £4 3m (2011 £4 0m) included within exceptional items and £1 6m (2011 £3 6m) included within administrative expenses In addition to the amounts purchased by the Company the Group also purchased £1 9m (2011 £nil) of advisory services from Bain Capital which are included within debt issue costs At the year end amounts owed to Bain Capital by the Group and Company within trade and other payables for advisory fees amounted to £0 4m 2012 (2011 £0 9m)

Key management compensation is disclosed in note 23 retirement benefit obligations are disclosed in note 17

Notes to the financial statements

26 Ultimate parent company and controlling party

The immediate parent undertaking and controlling party is Brake Bros Acquisition Limited a company incorporated in the United Kingdom

The ultimate parent undertaking is Cucina (BC) Luxco S à r l a private limited company registered in Luxembourg The ultimate controlling parties of the Company are Bain Capital Fund IX E LP and Bain Capital Fund VIII E LP both are exempted limited partnerships registered in the Cayman Islands which are indirectly controlled by Bain Capital Investors LLC a Delaware limited liability company

The parent undertaking of the smallest group to consolidate these financial statements is Cucina Acquisition (UK) Limited and the parent undertaking of the largest UK group to consolidate these financial statements is Cucina Lux Investments Limited Copies of Cucina Acquisition (UK) Limited and Cucina Lux Investments Limited consolidated financial statements can be obtained from the Company Secretary at Enterprise House Eureka Business Park, Ashford Kent TN25 4AG

27 Post balance sheet events

There were no post balance sheet events