Company registration number: 02035315

# Brake Bros Limited

## Annual report and financial statements

## For the year ended 2 July 2023

# Brake Bros Limited

**Annual report and financial statements for year ended 2 July 2023**

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## Strategic Report

The directors present their strategic report for Brake Bros Limited ("Brakes") for the year ended 2 July 2023. This report analyses the performance and explains other aspects of the Brakes Group results and operations, including strategy and risk management.

**Review of the business**

The Brakes Group is a large European foodservice business supplying fresh, refrigerated and frozen food products, as well as non-food products and supplies, to foodservice customers ranging from large customers, including leisure, pub, restaurant, hotel and contract catering groups, to smaller customers, including independent restaurants, hotels, fast food outlets, schools and hospitals. The Brakes Group largest businesses are in the United Kingdom (UK), France, and Sweden, in addition to a presence in Ireland, Belgium, Italy and Portugal.

The Brakes Group supplies a broad variety of products, including a portfolio of privately branded products, which are generally delivered through its distribution networks, consisting of central distribution hubs, satellite depots and its fleet of delivery vehicles. The principal trading companies in the Group are Brake Bros Limited, Sysco Foods NI Limited, Fresh Direct (UK) Limited, Kent Frozen Foods Limited, Medina Quay Meats Limited, Sysco France SAS, Menigo Foodservice AB, Clafra AB and EKO Fågel fisk och mittemellan AB.

**Summary of results and key performance indicators**

Revenue, operating profit, profit after tax, cash generated from operations and cash balance are considered to be the key performance indicators for the Brakes Group.

The results for the Brakes Group for the year are set out in the consolidated income statement on page 12 and a comparison of the results for the year ended 2 July 2023 is as follows:

Total revenue for the Brakes Group in the year totals £4,833.5m (2022: £3,879.5m), split as £2,808.6m (2022: £2,185.2m) for the UK (including Ireland), £1,375.3m (2022: £1,123.4m) for France and £649.6m (2022: £570.9m) for Sweden in the year.

Operating profit before exceptionals in the year is £53.6m (2022: £18.9m operating loss before exceptional items) and the operating profit is £43.5m in the year (2022: operating loss £44.7m). The profit after tax in the year is £42.8m (2022: £54.3m loss after tax).

Cash generated from operations was £169.0m in the year (2022: £80.1m) and the cash balance at 2 July 2023 is £63.1m (2022: £53.7m).

**Principal risks and uncertainties**

The Group has a risk management programme that seeks to limit the adverse effects of financial risks for the Company and for its subsidiary undertakings (see the Director's report below for further details). The principal risks and uncertainties facing the Brakes Group relate to a variety of risks that include competitive risk, the effects of changes in foreign currency exchange rates, interest rates, credit risks, commodity price risks and liquidity risk.

- Competitive risk

  The European foodservice distribution industry is fragmented and highly competitive, with local, regional, multi-regional distributors and speciality competitors. New and increasing competition may result in increased focus on pricing and on limiting price increases, or may require increased discounting or other concessions. Such competition or other industry pressures may result in margin erosion and / or make it difficult for the Group to attract and retain Customers.

- Foreign currency exchange risk

  The Group is exposed to foreign currency exchange risks primarily with respect to Euro trade purchases.

- Commodity price risk

  Due to the nature of our distribution business, the Group is exposed to potential volatility in fuel prices primarily with respect to diesel purchases. The price and availability of diesel fuel fluctuates due to changes in production, seasonality and other market factors generally outside of our control.

- Interest rate risk

  The Group has both interest bearing assets and interest bearing liabilities. Interest rate risk is not considered material for the Group.

- Credit risk

  The Group's credit risk is the risk that one party to a financial instrument will cause a financial loss to the Group by failing to discharge an obligation.

- Liquidity risk

  Liquidity risk is the risk that the Group will encounter difficulty in meeting its obligations associated with financial liabilities.

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

**S Brooksbank**

Director

14 December 2023

## Directors' Report

The directors submit their annual report and the audited consolidated and parent company financial statements for the year ended 2 July 2023.

### General information

Brake Bros Limited is a limited company incorporated in England and Wales and domiciled and operating in the United Kingdom. The Company's subsidiary undertakings operate in the UK, France, Sweden and Northern Ireland in addition to a presence in Ireland, Belgium, Italy and Portugal.

The immediate parent undertaking is Cucina Acquisition (UK) Limited, a company incorporated in England and Wales. The Company's ultimate parent undertaking and controlling party is Sysco Corporation, a company incorporated in the United States.

### Future outlook and going concern

At the year end, the Company had net assets of £814.4m (2022: £832.9m) and net current liabilities of £230.4m (2022: £212.9m). The consolidated Company had net assets of £622.8m (2022: £632.2m) and net current liabilities of £17.5m (2022: £89.3m). The ultimate parent undertaking, Sysco Corporation, has confirmed that they will continue to provide support to the Company to continue in operational existence for the foreseeable future and in meeting its liabilities as and when they fall due, but only to the extent that the Company is not otherwise able to meet such liabilities. The Director's have assessed the performance of Sysco Corporation and they are generating profit after tax for the year ending and as at 1 July 2023 of USD$1,770m (£1,400m) with USD$745m (£589m) cash and USD$2,009m (£1,589m) of net assets.

On the basis of their assessment of the Company's financial position and performance and of enquiries made to Sysco Corporation, the Company's directors have a reasonable expectation that the Company will be able to continue in operational existence for the foreseeable future and at least until 14 December 2024 and have accordingly adopted the going concern basis of accounting in the preparation of theses financial statements.

### Post balance sheet event

On 4 October 2023, Brake Bros Limited paid the deferred contribution for the acquisition of Medina Quay Meats Limited. The deferred payment was in accordance with the Share Purchase Agreement.

### Directors

The directors of the Company who were in office during the year and up to the date of signing the financial statements, unless otherwise stated, are given below:

S Whibley

P F Jackson

P Peereboom (Appointed 1/12/2022, Resigned 30/10/2023)

S Brooksbank (Appointed 1/12/2022)

### 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 period 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 14,851 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 Employee Assistance Programmes in each country.

### 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.

### Directors duties

The Directors of the Company are required to act in accordance with a set of general duties which are detailed in section 172 of the UK Companies Act 2006. A Director of a Company must act in a way that they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its shareholders as a whole, and fairly, and in doing so have regard (along with other matters) to:

- the likely consequence of the decisions in the long-term;
- the interest of the company's employees;
- the need to foster the company's business relationships with Suppliers, Customers and others;
- the impact of the company's operations on the community and environment;
- the desirability of the company maintaining a reputation for high standards of business conduct.

The following paragraphs summarise how the Directors fulfil their duties:

### Risk management

The Risk Management framework is established at the Brake Bros Limited Group level. The Board of Directors of Brake Bros Limited have the responsibility for setting the risk management policies, in compliance with Sysco Corporation risk management policies and applied throughout the Brake Bros Limited Group of companies. This framework identifies, monitors, measures and implements strategies to manage and mitigate risk across the Group. Further detail on Financial Risk management are set out further below in our description of Financial Risk Management.

## Directors' Report (Continued)

### Our people

Our people are the heart of our business. The Company and Group is committed to being a responsible employer and managing the performance, needs and expectations of our employees in a fair and transparent manner. The Company and Group operates a number of initiatives promoting employee engagement, health and well being.

### Business relationships

Our Customers and Suppliers are key to our success. We foster long term relationships with our supplier network, fostering close collaboration and development of sustainable quality chains of supply. Our relationships with Customers is paramount to the ongoing success of the business. The needs and expectations of our Customers are integral in our business strategy and planning to ensure the Company and Group delivers to the highest safety and high quality standards.

### Community and environment

Food distribution is not only our business — it is also our best opportunity to make a positive difference in the communities where we operate and live. The Company and Group participates in a number of community based programmes to raise money for good causes and provide goods to those in need.

The Company and Group is committed to delivering a better tomorrow. In 2019, the Brake Bros Group of companies set out its Corporate and Social Responsibility goals and targets to continue to reduce the Group's carbon footprint and commitment to sourcing sustainable, ethically sourced produce.

### Shareholders

The Company's ultimate parent company is Sysco Corporation, a company incorporated in the United States. The Company is aligned to the strategic vision of the Shareholder and discusses both short term and long term financial performance and business objectives regularly with Sysco management team.

### Financial risk management

The Group has operations in the UK, Continental Europe including Sweden 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, commodity price risks and liquidity risk.

The Board of Directors of Brake Bros Limited have the responsibility for setting the risk management policies, in compliance with Sysco Corporation risk management policies, applied by the Brake Bros Limited Group of companies. The policies are implemented by the central Group 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.

***(1) Foreign currency exchange risk***

The Group is exposed to foreign exchange risks primarily with respect to the Euro and Swedish Krona although 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.

The Group's operations in the UK and Sweden have inventory purchases denominated in currencies other than their functional currency, such as the Euro and Danish Krone. These inventory purchases give rise to foreign currency exposure between the functional currency of each entity and these currencies. The Group enters into foreign currency forward swap contracts to sell the applicable entity's functional currency and buy currencies matching the inventory purchase, which operate as cash flow hedges of the Group's foreign currency-denominated inventory purchases.

***(2) 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 owed to parent undertakings. Interest rate risk is not considered material for the Group.

***(3) Credit risk***

The Group is exposed to credit risk due to the level of customer balances. The Group has implemented policies that require appropriate credit checks on potential Customers before sales commence. The Group also monitors and manages the credit concentration.

***(4) Liquidity risk***

The Group's funding is derived from borrowings and amounts funded from parent and Group undertakings that are designed to ensure the Group has sufficient available funds for operations and planned expansions. The Group also has access to intercompany funding from parent entities, whom have access to an external Revolving Credit Facility of US$3,000 million amongst other facilities. The Group also participates in a cash pooling arrangement with other Sysco Group entities providing additional sources of local liquidity as and when required.

***(5) Commodity price risk***

The Group is exposed to commodity price risk primarily with respect to diesel purchases. 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 diesel fuel commodity swaps to hedge against future price changes.

### Independent auditor

Ernst & Young LLP shall remain in office until the Company or Ernst & Young LLP otherwise determine.

### Disclosure of information to auditors

Each of the persons who are a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

## Streamlined Energy and Carbon Reporting (SECR) Statement

### Introduction

The below statement contains Brake Bros Limited annual energy consumption, associated relevant greenhouse gas emissions, and additional related information, as required under the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018.

### Methodology

The methodology applied to the calculation of Greenhouse Gas emissions is the 'GHG Protocol Corporate Accounting and Reporting Standard'. An 'operational control' boundary has been applied. Carbon conversion factors have been taken from 'UK Government GHG Conversion Factors for Company Reporting – 2023'. Emissions are reported as CO2e. Only 'location-based' electricity emissions have been reported. Although not required under SECR legislation, we have included fugitive emissions associated with the use of refrigerant gas under Scope 1, along with emissions from business travel in private vehicles

### Energy Use and Greenhouse Gas Emissions

The table below shows the total annual UK energy use and associated GHG emissions relating to the consumption of; electricity, natural gas, other fuels combusted on-site, the use of refrigerant gases, and fuel consumed for relevant business transport purposes, for the period 1st July 2022 – 30th June 2023, and previous years data for comparison.

| **Table – Energy Consumption and Emissions** | **2022-2023** | 2021-2022 |
|---|---|---|
| On-site combustion (MWh) | 7,383 | 7,489 |
| Electricity (MWh) | 72,685 | 69,248 |
| Road Transport (MWh) | 280,064 | 244,463 |
| **Total Energy (MWh)** | **360,132** | 321,200 |
| Scope 1 Emissions (tCO2e) | 72,269 | 64,044 |
| Scope 2 Emissions (tCO2e) | 14,825 | 13,283 |
| **Total Emissions (tCO2e)** | **87,094** | 77,327 |
| **Emissions Intensity (tCO2e/£m turnover)** | **31** | 36 |

### Emissions Intensity

For purposes of baselining and ongoing comparison, it is required to express the emissions using a carbon intensity metric. The intensity metric chosen is £m turnover (UK and Northern Ireland). The resultant emissions intensity is 31.0tCO2e/£m.

### Energy Efficiency Action

In this financial year we have continued to closely monitor and manage energy consumption in-line with our Energy Management System ISO50001, which the majority of our UK operations are accredited to. In addition, we have made refrigeration upgrade including Co2 refrigeration plants which reduce electric consumption, we have also added another solar install of 1MW on the roof of our Aylesford distribution site. We have now 2 full electric HGV delivery vehicles delivering our products in a cleaner way.

During the current reporting period, over 23% of our electricity was procured from renewable sources, and we now have 2MW of solar arrays on the roof of 2 distribution sites, creating green/clean electric with a plan to install on 3 more sites during 2023/24. In comparison with the previous year, we have seen an overall increase of 12% in emissions due to increased business activity as we rebound from the impacts of Covid-19, however this is still a 3% decrease from 2019-20. Analysis of the emission intensity reflects this, reducing from 35.8 to 31.0 tCO2e/£m for the previous and current year.

This is a reduction of just over 13% in intensity compared to 2020-21.

## Task Force on Climate-related Financial Disclosures

### Background

In June 2017, the Financial Stability Board's Task Force on Climate-related Financial Disclosures (Task Force or TCFD) released its final recommendations (2017 report), which provide a framework for companies and other organizations to develop more effective climate-related financial disclosures through their existing reporting processes.

The Task Force was created to develop voluntary, consistent climate-related financial disclosures that would be useful to investors, lenders, and insurance underwriters in appropriately assessing and pricing climate-related risks. Without the right information, investors and others may incorrectly price or value financial assets, leading to a misallocation of capital.

The Task Force's recommendations on climate-related financial disclosures are structured around four thematic areas that represent core elements of how companies operate: governance, strategy, risk management, and metrics and targets.

| Governance | Strategy | Risk Management | Metrics and Targets |
|---|---|---|---|
| Disclose the company's governance around climate-related risks and opportunities. | Disclose the actual and potential impacts of climate-related risk and opportunities on the company's businesses, strategy financial planning where such information is material. | Disclose how the company identifies, assesses and manages climate-related risks. | Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material. |

In preparing the Consolidated Financial Statements, the Directors have considered the potential impact of climate change, particularly in the context of the four pillars outlined by the Task Force.

***i) Governance***

The Company's ultimate parent undertaking and controlling party is Sysco Corporation, a company incorporated in the United States.

Sysco's Board-level Sustainability Committee meets three times a year, with each meeting focused on one of the company's three pillars: People, Products and Planet. The 'Planet' pillar focuses specifically on climate related matters. The Sustainability Committee reviews and acts in an advisory capacity to the Board and management with respect to policies and strategies that affect Sysco's role as a socially responsible organization. They review, evaluate and provide input on the development and implementation of Sysco's sustainability strategy and on the implementation of and progress toward Sysco's sustainability goals.

Sysco's Sustainability Committee consists of five Non-Executive Directors, who each possess extensive Financial and Strategic experience across a wide range of industries. The key duties of the Sustainability Committee are:

A. Annually review, evaluate and provide input on Sysco's Sustainability Strategy, including as it relates to the achievement of any Sustainability Goals.
B. Review, evaluate and provide input on Sysco's programs and activities relating to sustainability, including, but not limited to, environmental sustainability, food safety and workplace safety, product quality and quality assurance systems, social and community relations, and other economic and regulatory issues as they relate to Sysco's overall strategy and performance.
C. Review Sysco's charitable, civic, educational, and business contributions and policies and practices related thereto.
D. Assess the impact of Sysco's policies and practices on associates, customers, shareholders, and the communities where Sysco operates, including, but not limited to, the impact of such policies and practices on environmental sustainability, health and well-being, and human rights.
E. Review public policy and market trends concerning sustainability, including, but not limited to, the sustainability issues listed above.
F. Review and make recommendations to the Board regarding stockholder proposals relating to sustainability and other matters for which responsibility for oversight has been assigned to the Committee by the Board.
G. Oversee the Company's stockholder engagement program with regard to sustainability or other matters for which responsibility for oversight has been assigned to the Committee by the Board.
H. Review Sysco's diversity initiatives with regard to external constituencies (e.g., customers, suppliers, etc.).

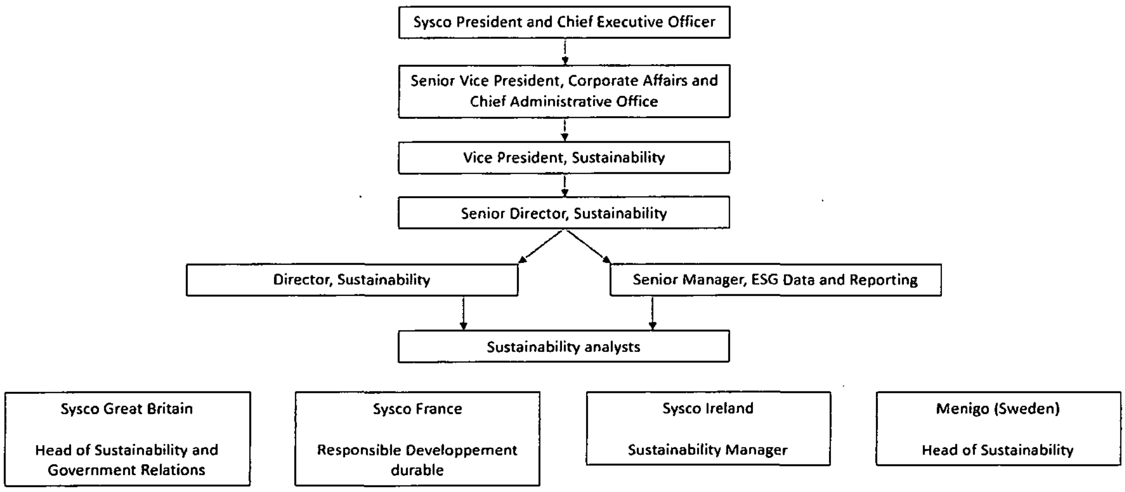
Sysco's Sustainability department is headed by the *Vice President - Sustainability,* supported by the *Senior Director, Sustainability (Global Support Center).* The Vice President reports directly to the *Chief Administrative Officer*, who in turn reports directly to Sysco's *President and Chief Executive Officer.*

The *Vice President, Sustainability* monitors climate-related issues by evaluating issues relating to People, Products and Planet. In addition, the *Vice President, Sustainability* leads the company's strategy, policy development and external engagement relating to environmental and social issues, while the *Senior Director, Sustainability* reports to the *Vice President, Sustainability* and leads on day-to-day execution.

The *Senior Manager, Sustainability* and *Senior Manager, ESG Data and Reporting* report to the *Senior Director, Sustainability* and are responsible for conducting research and quantitative analysis, as well as supporting with internal and external Sustainability communications and engagement. In these roles, the *Vice President, Sustainability* is supported in order to assess and manage climate-related issues focused on three key areas for Sustainability.

## Task Force on Climate-related Financial Disclosures (continued)

*Figure 1. Sysco Sustainability department structure*




The Sysco Corporate Sustainability team is supported by a Head of Sustainability in each European market. These Heads of Sustainability are responsible for creating a strategic approach to Sustainability, identifying climate related risks and ensuring that local public policy and reporting requirements are adhered to in each European market. In addition, the Heads ensure that Sysco's global Sustainability Strategy is implemented consistently throughout its European markets.

***ii) Risk management***

Sysco Corporation ("Sysco" or "Company") utilizes an Enterprise Risk Management (ERM) process to identify, assess, and mitigate enterprise risks to the Company. These can include strategic, operational, financial, compliance, reputation, regulatory, and/or any other related emerging risk(s). Sysco does not isolate 'climate change risk' into any one of these categories or as a separate category; rather, the effects of climate change are captured in the Company's Risk Registry. For example, an increase in costs due to shortages of food or fuel or any other business interruption event, both potentially caused by the effects of climate change, are captured in the Operational risk category. Non-compliance with climate change regulations is also captured in the Operational risk category.

Each risk category in Sysco's Risk Registry has an assigned Senior Leader Risk Owner ("Management") and an Executive Risk Sponsor has oversight of enterprise risks owned by Management. Once risk owners are assigned, a risk mitigation plan is established, and a reporting cadence is established. Management is responsible for mitigating and managing enterprise risks and reporting those enterprise risks directly to the Company's Executive Leadership Team, the Audit Committee, and the Board of Directors ("Board") regularly. The Audit Committee reviews Sysco's risk assessment process and manages the Company's exposure to risk. The Audit Committee also makes recommendations to the Board of Directors regarding the process by which members of the Board and relevant committees will be made aware of the Company's enterprise risks, including recommendations regarding identifying a committee of the Board to oversee management of the most material enterprise risks faced by the Company.

On an annual basis, Management reviews key enterprise risks with the Board, as well as Management's process for mitigating the potential negative effects of enterprise risks. The Company assesses and reprioritizes its enterprise risks on an ongoing basis. In 2021 Management activated the Company's response and recovery strategies due to the climate related events of the Texas winter freeze, hurricane Ida, and tropical storm Nicholas, which included ongoing communications, adjusted operating schedules, and business transfers across its geographically dispersed facility network to continue its business.

The following table summarised the risk types considered within Sysco's climate-related risk assessments:

| **Risk** | **Definition** |
|---|---|
| Current regulation | Current regulations are key enterprise risks that may be informed by climate change related issues and are consistently being assessed relative to Sysco's Global Operations and Compliance with climate change related legislative regulations in various markets. Non-compliance with climate change regulations is captured in the Regulatory risk category. |
| *Emerging regulation* | *Emerging regulations are key enterprise risks that may be informed by climate change related issues and are consistently* being assessed relative to Sysco's Global Operations and Compliance with climate change related legislative regulations in various markets. Non-compliance with climate change regulations is captured in the Regulatory risk category. |
| Technology | Technology is a key enterprise risk related to climate change issues and is consistently being assessed relative to Sysco's ability to obtain, store and report information (i.e., product supply) which could be impacted by the effects of climate change related to the increase in the frequency and/or severity of severe weather that may cause technological outages. |
| Legal | Regulatory – and thereby legal – is a key enterprise risk that may be informed by climate change related issues and are consistently being assessed relative to Sysco's Global Operations and Compliance with climate change related legislative regulations in various markets. Non-compliance with climate change regulations is captured in the Regulatory risk category |
| Market | Financial markets are evaluated as a leading or current key risk indicator, whereby trend information informs investor and stakeholder levels of interest in our climate change sustainability-related work. Changing customer behaviour is also evaluated as a market risk. |
| Reputation | Reputational risk is an overarching key enterprise risk that informs several risk categories that have the potential to tarnish our reputation and diminish the value of our brand, which could adversely affect our operations and is consistently being assessed relative to maintaining a good reputation and public confidence in the safety of the products we distribute. |
| Acute physical | Acute physical risks are captured in the operational risk category and are consistently being assessed relative to the Company's operating facilities within our supply chain that could be impacted by the effects of climate change such as the increase in the frequency and severity of severe weather. |

## Task Force on Climate-related Financial Disclosures (continued)

Sysco assesses whether each risk / opportunity included in the Enterprise Risk Management has a short-term, medium-term or long-term impact on the business. The Company defines these time horizons as follows:

- Short-term: 0 – 5 years
- Medium-term: 3 – 5 years
- Long-term: 5 – 10 years

***iii) Strategy***

Sysco Corporation has identified the following climate-related risks and opportunities. Each of these risks is monitored and tracked in accordance with the process described in the Risk Management section of this report.

| Risk / opportunity | Description | Time horizon | Response |
|---|---|---|---|
| Fuel costs | Risk – increased indirect (operating) costs<br><br>The cost of fuel affects the cost to transport products to our warehouses, as well as the costs incurred by us to deliver products to customers.<br><br>Volatile fuel prices have a direct impact on our industry. We require significant quantities of fuel for our delivery vehicles and are exposed to the risk associated with fluctuations in the market price for fuel. The cost of fuel affects the price paid by us for products, as well as the costs we incur to deliver products to our customers. Although we have been able to pass along a portion of increased fuel costs to our customers in the past, there is no guarantee that we will be able to do so in the future. | Long term | Our activities to mitigate this risk include initiatives aimed at improving fuel efficiency, such as reducing fleet miles via improved routing techniques and improving fleet efficiency (via fleet renewal, use of alternative fuel vehicles, etc.). In addition, we routinely enter forward purchase commitments for a portion of our projected monthly diesel fuel requirements with a goal of mitigating the volatility in fuel prices. |
| Natural disasters | Risk – increased indirect (operating) costs / disruption to short term production capacity<br><br>Short-term natural disasters such as extreme weather or other catastrophic events have the potential to disrupt our operating sites and inbound and outbound transport of products. Since Sysco operates as a food distributor, market conditions are reflected in the cost of goods and are passed on to customers.<br><br>Short term weather conditions can reduce short term production capacity due to transport difficulties and supply chain interruptions. | Short term | Sysco's robust business continuity program addresses physical risks by consistently evaluating acute physical risks at our operating facilities. Sysco's emergency preparedness, business continuity, and crisis management procedures ensure swift response and recovery actions. Additionally, the Company utilizes a commercial weather service to proactively identify severe weather risks, including specific potential impact details to operations, and extended long range forecasting. The Company's crisis management plan outlines strategic and tactical response actions for crisis events, inclusive of ongoing communications, and adjusted operating schedules. |
| Change in regulation | Potential new regulatory requirements - at the federal and state level - could increase our operating costs. The cost of compliance, or the consequences of non-compliance, could have a material adverse effect on our business and the results of operations.<br><br>Uncertainty around proposed or future environmental and/or energy regulations has the potential to increase operational cost, for example, through emissions reporting requirements, increased taxes for fuel or other energy, or required cap-and-trade schemes. | Short term | Regulatory risk is an identified category within the Enterprise Risk Management system. As new or additional information emerges about energy or emissions regulations, or as a risk profile changes, the specific risk is re-evaluated and re-prioritized. This risk has an executive champion and receives regular monitoring and reporting to the Board. Additionally, our domestic and international tax teams partner with operations to monitor carbon taxes and/or schemes that may impact Sysco. We utilize a monitoring service that sends updates on potential systems, work closely with several leading accounting firms to stay up to date, and collaborate with the Government Relations team to ensure full compliance with existing and future regulations. Once systems are identified, planning, execution, and ongoing compliance are coordinated through the team/jurisdiction where the tax applies. |
| Shift in consumer preferences | Opportunity - Increased revenues resulting from increased demand for products and services<br><br>Food service operators and their customers are demanding more local and sustainably sourced food products, which influences our product offerings. Additionally, recognition as the industry leader in sustainability is a brand enhancement, with consumers intentionally choosing to work with businesses that demonstrate a commitment to responsible and sustainable operations. We believe we have an opportunity to further enhance customer loyalty and potentially gain new customers by increasing our offerings of locally sourced and sustainable products. | Short term | We believe advancing our sustainability initiatives enhances our relationship with our customers either by elevating their trust in Sysco as an environmentally and socially responsible business, or by enabling us to provide more sustainable products to help them reach their own business goals. |
| Resource efficiency | Opportunity – reduced indirect (operating) costs<br><br>Use of more efficient modes of transport to reduce operating costs. | Short term | Over a period of several years Sysco has explored multiple alternative fuel technology options for our truck fleet, with the goal of reducing vehicle emissions and lowering our overall carbon footprint. These have included low emission compressed natural gas (CNG) tractor units, as well as biodiesel. We replace approximately 10 percent of our fleet annually and have a policy of ensuring replacements are more fuel efficient. With electric vehicles expected to have a major impact on the transportation industry, both in helping reduce carbon emissions as well as fundamentally improving mobility, we continue to test technologies and forge new partnerships to get closer to our fleet target. |

## Task Force on Climate-related Financial Disclosures (continued)

***Understanding the impact of climate change***

Climate change underpins many of the strategic risks and opportunities identified in Sysco's Enterprise Risk Management (ERM) process. In order to further understand the impact of climate change on the Company, it is important that scenario analysis is performed. The Paris Agreement, in seeking to strengthen the global response to climate change, reaffirms the goal of limiting global temperature increase to well below 2 degrees Celsius, while pursuing efforts to limit the increase to 1.5 degrees.

Sysco understands the importance of doing further work to ensure that we understand the critical dependencies of climate change on our business and to ensure we have action plans in place to help mitigate these risks and thus prepare the business for the future environment in which we will operate. Sysco plans to conduct further analysis to quantitatively assess the impact of climate change on the supply chain and the impact of changing weather patterns (including both persistent effects such as droughts and the temporary effects of storms) on critical markets.

However, we have performed a qualitative analysis to assess the resilience of a sustained 2$^{O}$C increase on Brakes business:

- If sustained temperature increases lead to an increase in frequency of short-term natural disasters such as extreme weather, this could lead to production capacity issues and disruption to inbound and outbound transportation of products. However, Sysco has an established and robust business continuity program which addresses risk caused by extreme weather by consistently evaluating acute physical risks at our operating facilities. Sysco's emergency preparedness, business continuity, and crisis management procedures ensure swift response and recovery actions. As such, Sysco is resilient to short-term extreme weather.

- If sustained temperature increases lead to higher sea levels, there could be a risk to any depots near coastal areas. However, Sysco has a diverse portfolio of depots spread across the UK. Hence, Sysco is resilient to this risk.

- If sustained temperature increases lead to changes in government policy to incentivise transition from fossil fuels and reduce GHG emissions, this could lead to increase operating costs through higher fuel costs. As discovered in the *metrics & targets* section, Sysco have implemented targets to increase electrification of its fleet and shift to renewable energy sources by 2030. As such, Sysco is pro-active in reducing its dependency on traditional energy sources and therefore resilient to this risk in the longer term.
- If sustained temperature increases lead to increased frequency of droughts, this could impact crop production and the supply chain. Sysco constantly reviews its supply chain and uses a diverse portfolio of suppliers, making Sysco resilient to this risk.

***iv) Metrics & targets***

The Company's ultimate parent undertaking and controlling party, Sysco, sets the Group's global sustainability policy. In 2021, Sysco announced science-based emissions reduction target aligning with the Paris Agreement. These targets form an integral part of the Company's roadmap to reducing its carbon footprint over the next decade. The key goals are to:

- Reduce Sysco's global Scope 1 and 2 emissions by 27.5% by 2030, and
- Ensure that suppliers covering 67% of Sysco's Scope 3 emissions establish targets by 2026

Sysco's Scope 1 and 2 reduction efforts will be achieved in part by electrifying 35% of the company's US fleet by 2030. In addition, the company will source 100% renewable electricity for its global operations by 2030. This will help Sysco to seize the 'resource efficiency' opportunity listed in the ERM register and to mitigate the 'fuel cost' risk by diversifying the fleet and reducing the reliance upon traditional fossil fuels. Customers of Sysco's businesses in Great Britain, including Brakes and the Speciality Group started to receive deliveries from zero-emissions vehicles in August 2022. This includes a range of temperature-controlled electric vehicles, including two 19-tonne Heavy Goods Vehicles (HGVs) and two electric vans. The new vehicles support Sysco's global climate goals.

Furthermore, we continued to closely monitor and manage energy consumption in-line with our Energy Management System ISO50001, which the majority of our UK operations are accredited to. In addition, we have made refrigeration upgrades, including Co2 refrigeration plants which reduce electric consumption. We have also added another solar install of 1MW on the roof of our Aylesford distribution site.

During the current reporting period, over 23% of our electricity in the UK was procured from renewable sources, and we now have 2MW of solar arrays on the roof of 2 distribution sites, creating green/clean electric with a plan to install on 3 more sites during 2023/24. In comparison with the previous year, we have seen an overall increase of 12% in emissions due to increased business activity as we rebound from the impacts of Covid-19, however *this is still a 3% decrease from 2019-20.* Analysis of the emission intensity reflects this, reducing from 35.8 to 31.0 tCO2e/£m for the previous and current year. This is a reduction of just over 13% in intensity compared to 2020-21.

Sysco committed to expand the Sysco Sustainable Agriculture program to include five fresh crops by 2025. This goal has been achieved, helping to mitigate the impact of 'Natural disasters' on the Supply Chain.

Progress is monitored by Sysco's Board-level Sustainability Committee. They review, evaluate and provide input on the development and implementation of Sysco's sustainability strategy and on the implementation of and progress toward Sysco's 2025 sustainability goals.

*Figure 2. Sysco emissions in Europe*

| TCO2e | Total |
|---|---|
| Scope 1 | 103,166 |
| Scope 2 | 17,795 |
| Total | 120,961 |

Sysco are in the process of adopting a formal reporting process to be able to report Scope 3 GHG emissions across the business for the year ended 30th June 2024, *when disclosure of this information is required under IFRS S1 and IFRS S2, which come into effect for financial year's beginning on or* after 1st January 2024. Partnering with suppliers will be an essential element to achieving the company's 2026 Scope 3 target as they represent the largest emissions reduction opportunities.

## Directors' responsibilities statement

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 period. 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 and the Group 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:

**S Brooksbank**
Director
14 December 2023

Company registration number: 02035315
Registered office:
Enterprise House
Eureka Business
Park Ashford
Kent
TN25 4AG

## Independent Auditor's Report to the Members of Brake Bros Limited

### Opinion

We have audited the financial statements of Brake Bros Limited] ('the Parent Company') and its subsidiaries (the 'Group') for the year ended 2 July 2023 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated and company statements of financial position, the consolidated and company statements of changes in equity, the consolidated and company statement of cash flows and the related notes 1 to 31, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted International Accounting Standards and as regards the parent company financial statements, as applied in accordance with section 408 of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the group's and of the parent company's affairs as at 2 July 2023 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with UK adopted International Accounting Standards;
- the parent company financial statements have been properly prepared in accordance with UK adopted International Accounting Standards as applied in accordance with section 408 of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group and parent company's ability to continue as a going concern for a period to 14 December 2024.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's ability to continue as a going concern.

### Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

### Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

### Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which 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.

### Responsibilities of directors

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

### Auditor's responsibilities for the audit of the financial statements

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

***Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud***

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are those that relate to the reporting framework (International Financial Reporting Standards, Companies Act 2006, Bribery Act 2010 and relevant tax compliance regulations in the jurisdiction in which the parent company and group operates).
- We understood how the parent company and group is complying with those frameworks by making enquiries of management and observing the oversight of those charged with governance. We corroborated our enquiries through the review of the following documentation:
  - All minutes of board meetings held during the year
  - Any relevant correspondence with local tax authorities:
- We assessed the susceptibility of the company's and group financial statements to material misstatement, including how fraud might occur by gaining an understanding of the entity level controls and policies that the Company applies, in doing so we focused on the revenue recognition risk and designed and executed additional audit procedures to address the risk of material misstatement.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved focus on large or unusual transactions as well as enquiries of internal counsel and management.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

### Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed. .

DocuSigned by:

Ernst & Young LLP

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*Jonathan Gill (Senior statutory auditor)*

*for and on behalf of* Ernst & Young LLP, *Statutory Auditor*
*London, United Kingdom*

14 December 2023

## Consolidated income statement

| | Note | For the year ended 2 July 2023 £m | For the year ended 3 July 2022 £m |
|---|---|---|---|
| **Continuing operations** | | | |
| Revenue | 2 | **4,833.5** | 3,879.5 |
| Operating costs | 2 | **(4,790.0)** | (3,924.2) |
| **Operating profit/(loss)** | | **43.5** | (44.7) |
| Finance costs | 3 | **(23.7)** | (25.7) |
| Finance income | 3 | **13.9** | 13.2 |
| Finance cost - net | | **(9.8)** | (12.5) |
| **Profit/(Loss) on ordinary activities before taxation** | | **33.7** | (57.2) |
| Income tax credit | 4 | **9.1** | 2.9 |
| **Profit/(Loss) for year attributable to owners of the company** | | **42.8** | (54.3) |

The notes on pages 20 to 52 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 £33.0m (2022: £10.6m).

## Consolidated statement of comprehensive income

| | Note | For the year ended 2 July 2023 £m | For the year ended 3 July 2022 £m |
|---|---|---|---|
| **Profit/(Loss) for the year** | | **42.8** | (54.3) |
| **Other comprehensive income / (expense):** | | | |
| *Items that will not be reclassified to profit or loss* | | | |
| Actuarial (loss)/gain on defined benefit pension scheme | 17 | **(56.3)** | 33.5 |
| Taxation on items taken directly to other comprehensive income | 4 | **14.4** | (5.9) |
| **Total items that will not be reclassified to profit or loss** | | **(41.9)** | 27.6 |
| *Items that may be reclassified to profit or loss* | | | |
| Cash flow hedges - (loss)/gain arising in the year | 22 | **(8.2)** | 6.2 |
| Taxation on cash flow hedges | 22 | **1.1** | (0.8) |
| Currency translation differences | 22 | **(0.2)** | (2.8) |
| **Total items that may be reclassified to profit or loss** | | **(7.3)** | 2.6 |
| **Other comprehensive (expense)/income for the year, net of tax** | | **(49.2)** | 30.2 |
| **Total comprehensive expense for the year** | | **(6.5)** | (24.1) |

The notes on pages 20 to 52 form an integral part of these financial statements.

## Consolidated statement of financial position

**As at 2 July 2023**

| | Note | At 2 July 2023 £m | At 2 July 2023 £m | At 3 July 2022 £m | At 3 July 2022 £m |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| **Non-current assets** | | | | | |
| Goodwill | 6 | | **196.3** | | 196.4 |
| Intangible assets | 7 | | **95.2** | | 94.0 |
| Property, plant and equipment | 8 | | **645.0** | | 644.5 |
| Investments | 9 (a) | | **0.2** | | 0.2 |
| Deferred tax assets | 19 | | **195.4** | | 168.1 |
| | | | **1,132.1** | | 1,103.2 |
| **Current assets** | | | | | |
| Financial assets - derivative financial instruments | 16 (c) | **0.5** | | 6.2 | |
| Inventories | 10 | **328.0** | | 246.1 | |
| Trade and other receivables | 11 | **970.2** | | 877.3 | |
| Cash and cash equivalents | 12 | **63.1** | | 53.7 | |
| Current income tax assets | 14 | **5.0** | | 3.5 | |
| | | **1,366.8** | | 1,186.8 | |
| **Liabilities** | | | | | |
| **Current liabilities** | | | | | |
| Financial liabilities - borrowings | 15 | **(118.5)** | | (120.3) | |
| Financial liabilities - derivative financial instruments | 16 (c) | **(2.5)** | | - | |
| Lease obligations | 15 | **(39.4)** | | (44.2) | |
| Trade and other payables | 13 | **(1,216.0)** | | (1,109.3) | |
| Provisions | 18 | **(7.9)** | | (2.3) | |
| | | **(1,384.3)** | | (1,276.1) | |
| **Net current liabilities** | | | **(17.5)** | | (89.3) |
| **Non-current liabilities** | | | | | |
| Financial liabilities - borrowings | 15 | **(90.7)** | | - | |
| Lease Obligations | 15 | **(277.0)** | | (291.9) | |
| Retirement benefit obligations | 17 | **(79.3)** | | (38.2) | |
| Deferred tax liabilities | 19 | **(8.3)** | | (7.8) | |
| Provisions | 18 | **(36.5)** | | (43.8) | |
| | | | **(491.8)** | | (381.7) |
| **Net assets** | | | **622.8** | | 632.2 |
| **Equity** | | | | | |
| Share capital | 20 | | **5.4** | | 5.4 |
| Share premium | 21 | | **288.6** | | 288.6 |
| Other reserves | 22 | | **363.1** | | 370.4 |
| Retained loss | 22 | | **(34.3)** | | (32.2) |
| **Total equity** | | | **622.8** | | 632.2 |

The notes on pages 20 to 52 form an integral part of these financial statements.

The financial statements on pages 12 to 52 were approved by the Board of Directors on 14 December 2023 and were signed on its behalf by:

S Brooksbank
Director

## Brake Bros Limited
**Annual report and financial statements**
**For the year ended 2 July 2023**

### Company statement of financial position

**As at 2 July 2023**

| | | At 2 July 2023 | | At 3 July 2022 | |
|---|---|---|---|---|---|
| | **Note** | **£m** | **£m** | £m | £m |
| **Assets** | | | | | |
| **Non-current assets** | | | | | |
| Goodwill | 6 | | **28.2** | | 28.2 |
| Intangible assets | 7 | | **32.6** | | 29.0 |
| Property, plant and equipment | 8 | | **287.7** | | 273.5 |
| Deferred tax assets | 19 | | **72.7** | | 54.2 |
| Investments in subsidiaries | 9 | | **843.8** | | 843.8 |
| | | | **1,265.0** | | 1,228.7 |
| **Current assets** | | | | | |
| Inventories | 10 | **115.0** | | 86.5 | |
| Retirement benefit asset | 17 | **-** | | 4.2 | |
| Trade and other receivables | 11 | **690.5** | | 624.3 | |
| Cash and cash equivalents | 12 | **24.0** | | 10.9 | |
| Financial assets - derivative financial instruments | 16 (c) | **-** | | 4.2 | |
| | | **829.5** | | 730.1 | |
| **Liabilities** | | | | | |
| **Current liabilities** | | | | | |
| Financial liabilities - borrowings | 15 | **(250.6)** | | (252.4) | |
| *Financial liabilities - derivative financial instruments* | 16 (c) | **(1.5)** | | - | |
| Lease obligations | 15 | **(12.1)** | | (14.3) | |
| Trade and other payables | 13 | **(788.8)** | | (675.1) | |
| Provisions | 18 | **(6.9)** | | (1.2) | |
| | | **(1,059.9)** | | (943.0) | |
| **Net current liabilities** | | | **(230.4)** | | (212.9) |
| **Non-current liabilities** | | | | | |
| Lease obligations | 15 | **(152.4)** | | (151.2) | |
| Retirement benefit obligations | 17 | **(41.5)** | | - | |
| Provisions | 18 | **(26.3)** | | (31.7) | |
| | | | **(220.2)** | | (182.9) |
| **Net assets** | | | **814.4** | | 832.9 |
| **Equity** | | | | | |
| Share capital | 20 | | **5.4** | | 5.4 |
| Share premium | 21 | | **288.6** | | 288.6 |
| Other reserves | 22 | | **426.5** | | 431.1 |
| Retained earnings | 22 | | **93.9** | | 107.8 |
| **Total equity** | | | **814.4** | | 832.9 |

The notes on pages 20 to 52 form an integral part of these financial statements.

The financial statements on pages 12 to 52 were approved by the Board of Directors on 14 December 2023 and were signed on its behalf by:

S Brooksbank
Director

Company registration number:02035315

**Brake Bros Limited**
**Annual report and financial statements**
**For the year ended 2 July 2023**

## Consolidated statement of changes in equity

| | | Attributable to owners of the parent company | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Note | Share capital | Share premium account | Other reserves | Retained earnings | Total | Non-controlling interests | Total equity |
| | | £m | £m | £m | £m | £m | £m | £m |
| **Balance at 4 July 2021** | | 5.4 | 288.6 | 367.8 | (4.2) | 657.5 | 0.1 | 657.6 |
| **Comprehensive expense** | | | | | | | | |
| Loss for the year | 22 | - | - | - | (54.3) | (54.3) | - | (54.3) |
| **Other comprehensive income / (expense)** | | | | | | | | |
| Cash flow hedges | 22 | - | - | 6.2 | - | 6.2 | - | 6.2 |
| Taxation on cash flow hedges | 22 | - | - | (0.8) | - | (0.8) | - | (0.8) |
| Long term incentive plan charge | 22 | - | - | - | (1.3) | (1.3) | | (1.3) |
| Currency translation differences | 22 | - | - | (2.8) | - | (2.8) | - | (2.8) |
| Actuarial gain on defined benefit pension scheme | 17 | - | - | - | 33.5 | 33.5 | - | 33.5 |
| Taxation on items taken directly to other comprehensive income | 4 | - | - | - | (5.9) | (5.9) | - | (5.9) |
| Total other comprehensive income | | - | - | 2.6 | 26.3 | 28.9 | - | 28.9 |
| **Total comprehensive income / (expense)** | | - | - | 2.6 | (28.0) | (25.4) | - | (25.4) |
| **Balance at 3 July 2022** | | **5.4** | **288.6** | **370.4** | **(32.2)** | **632.1** | **0.1** | **632.2** |
| **Comprehensive income** | | | | | | | | |
| Profit for the year | 22 | - | - | - | 42.8 | 42.8 | - | 42.8 |
| **Other comprehensive income / (expense)** | | | | | | | | |
| Cash flow hedges | 22 | - | - | (8.2) | - | (8.2) | - | (8.2) |
| Taxation on cash flow hedges | 22 | - | - | 1.1 | - | 1.1 | - | 1.1 |
| Long term incentive plan charge | 22 | - | - | - | (1.6) | (1.6) | - | (1.6) |
| Currency translation differences | 22 | - | - | (0.2) | - | (0.2) | - | (0.2) |
| Purchase of minority interest | 22 | - | - | - | (1.4) | (1.4) | - | (1.4) |
| Actuarial losses on defined benefit pension scheme | 17 | - | - | - | (56.3) | (56.3) | - | (56.3) |
| Taxation on items taken directly to other comprehensive income | 19 | - | - | - | 14.4 | 14.4 | - | 14.4 |
| Total other comprehensive income | | - | - | (7.3) | (44.9) | (52.2) | - | (52.2) |
| **Total comprehensive income / (expense)** | | - | - | (7.3) | (2.1) | (9.4) | - | (9.4) |
| **Balance at 2 July 2023** | | **5.4** | **288.6** | **363.1** | **(34.3)** | **622.7** | **0.1** | **622.8** |

The notes on pages 20 to 52 form an integral part of these financial statements.

## Company statement of changes in equity

| | | Attributable to owners of the parent company | | | | |
|---|---|---|---|---|---|---|
| | Note | Share capital | Share premium account | Other reserves | Retained earnings | Total equity |
| | | £m | £m | £m | £m | £m |
| **Balance at 4 July 2021** | | **5.4** | **288.6** | **427.8** | **81.1** | **802.9** |
| **Comprehensive income** | | | | | | |
| Profit for the year | 22 | - | - | - | 10.6 | 10.6 |
| **Other comprehensive income / (expense)** | | | | | | |
| Cash flow hedges | 22 | - | - | 4.1 | - | 4.1 |
| Taxation on cash flow hedges | 22 | - | - | (0.8) | - | (0.8) |
| Long term incentive plan charge | 22 | - | - | - | (0.6) | (0.6) |
| Actuarial gains on defined benefit pension scheme | 17 | - | - | - | 20.6 | 20.6 |
| Taxation on items taken directly to other comprehensive income | 19 | - | - | - | (3.9) | (3.9) |
| Total other comprehensive income | | - | - | 3.3 | 16.1 | 19.4 |
| **Total comprehensive income** | | - | - | 3.3 | 26.7 | 30.0 |
| **Balance at 3 July 2022** | | **5.4** | **288.6** | **431.1** | **107.8** | **832.9** |
| **Comprehensive income** | | | | | | |
| Profit for the year | 22 | - | - | - | 33.0 | 33.0 |
| **Other comprehensive income / (expense)** | | | | | | |
| Cash flow hedges | 22 | - | - | (5.7) | - | (5.7) |
| Taxation on cash flow hedges | 22 | - | - | 1.1 | - | 1.1 |
| Long term incentive plan charge | 22 | - | - | - | (0.9) | (0.9) |
| Actuarial losses on defined benefit pension scheme | 17 | - | - | - | (61.4) | (61.4) |
| Taxation on items taken directly to other comprehensive income | 19 | - | - | - | 15.4 | 15.4 |
| Total other comprehensive expense | | - | - | (4.6) | (46.9) | (51.5) |
| **Total comprehensive expense** | | - | - | (4.6) | (13.9) | (18.5) |
| **Balance at 2 July 2023** | | **5.4** | **288.6** | **426.5** | **93.9** | **814.4** |

The notes on pages 20 to 52 form an integral part of these financial statements.

## Consolidated statement of cash flows

| | Note | For the year ended 2 July 2023 £m | £m | For the year ended 3 July 2022 £m | £m |
|---|---|---|---|---|---|
| **Cash flows from operating activities** | | | | | |
| Cash generated from operations | 23 | | **169.0** | | 80.1 |
| Interest paid | | | **(1.7)** | | (0.2) |
| Income tax paid | | | **(4.9)** | | (1.2) |
| **Net cash generated from operating activities** | | | **162.4** | | 78.7 |
| **Cash flows (used in) / from investing activities** | | | | | |
| Purchase of property, plant and equipment | | **(68.8)** | | (43.0) | |
| Purchase of intangible assets | | **(24.2)** | | (22.4) | |
| Sale of property, plant and equipment | | **0.3** | | 5.6 | |
| Purchase of subsidiary, net of cash transferred | | **-** | | (8.2) | |
| **Net cash used in investing activities** | | | **(92.7)** | | (68.0) |
| Payments to parent undertakings | | **(2.3)** | | - | |
| Payments from related undertakings | | **-** | | 31.1 | |
| Lease capital repayments | | **(57.2)** | | (53.5) | |
| **Net cash used in financing activities** | | | **(59.5)** | | (22.4) |
| Net increase / (decrease) in cash and cash equivalents | | | **10.2** | | (11.7) |
| Cash and cash equivalents at 3 July 2022 / 4 July 2021 | 12 | | **53.7** | | 63.3 |
| *Effects of exchange rate changes* | | | **(0.8)** | | 2.1 |
| **Cash and cash equivalents at 2 July 2023 / 3 July 2022** | 12 | | **63.1** | | 53.7 |

The notes on pages 20 to 52 form an integral part of these financial statements.

## Company statement of cash flows

| | | At 2 July 2023 | | At 3 July 2022 | |
|---|---|---|---|---|---|
| | Note | £m | £m | £m | £m |
| **Cash flows from operating activities** | | | | | |
| Cash generated from operations | 23 | | 76.0 | | 98.2 |
| Interest (paid)/received | | | (2.6) | | (0.5) |
| **Net cash generated from operating activities** | | | 73.4 | | 97.7 |
| **Cash flows from / (used in) investing activities** | | | | | |
| Purchase of subsidiary undertaking | | - | | (8.2) | |
| Purchase of property, plant and equipment | | (36.2) | | (24.2) | |
| Purchase of intangible assets | | (10.8) | | (10.8) | |
| *Sale of property, plant and equipment and intangible assets* | | - | | 1.9 | |
| **Net cash used in investing activities** | | | (47.0) | | (41.3) |
| **Cash flows used in financing activities** | | | | | |
| Payments to related undertakings | | 7.9 | | (35.5) | |
| Lease capital repayments | | (21.2) | | (18.7) | |
| **Net cash used in financing activities** | | | (13.3) | | (54.2) |
| **Net increase in cash and cash equivalents** | | | 13.1 | | 2.2 |
| Cash and cash equivalents at 3 July 2022 / 4 July 2021 | 12 | | 10.9 | | 8.7 |
| **Cash and cash equivalents at 2 July 2023 / 3 July 2022** | 12 | | 24.0 | | 10.9 |

The notes on pages 20 to 52 form an integral part of these financial statements.

## Notes to the financial statements

### 1. Accounting policies

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 2 July 2023. These financial statements were authorised for issue by the Board of Directors on 14 December 2023. For practical reasons, the Group and Company prepares its financial statements to the Sunday closest to the Company reference date of 30 June.

The financial statements have been presented in Sterling (£) which is also the functional currency of the Company.

**Significant accounting policies**

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

**Basis of preparation and going concern**

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards in conformity with the requirements of the Companies Act 2006 and international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union. The consolidated financial statements have been prepared under the historical cost convention and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

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.

In assessing whether the financial statements for the Company and Group 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. The Directors have considered the future operating results, cash flows and facilities available.

The Company and Group participates in a European cash pooling arrangement with other Sysco Group entities providing additional sources of local liquidity as and when required. This cash pool has direct access to an external Revolving Credit Facility of $US3,000m.

At the year end, the Company had net assets of £814.4m (2022: £832.9m) and net current liabilities of £230.4m (2022: £212.9m). The consolidated Company had net assets of £622.8m (2022: £632.2m) and net current liabilities of £17.5m (2022: £89.3m). The ultimate parent undertaking, Sysco Corporation, has confirmed that they will continue to provide support to the Company to continue in operational existence for the foreseeable future and in meeting its liabilities as and when they fall due, but only to the extent that the Company is not otherwise able to meet such liabilities. The Director's have assessed the performance of Sysco Corporation and they are generating profit after tax for the year ending and as at 1 July 2023 of USD$1,770m (£1,400m) with USD$745m (£589m) cash and USD$2,009m (£1,589m) of net assets.

On the basis of their assessment of the Company's financial position and performance and of enquiries made to Sysco Corporation, the Company's directors have a reasonable expectation that the Company will be able to continue in operational existence for the foreseeable future and at least until 14 December 2024 and have accordingly adopted the going concern basis of accounting in the preparation of theses financial statements.

**Basis of consolidation**

*(1) Subsidiaries*

These consolidated financial statements consolidate the financial statements of the Company and all its subsidiary undertakings. Subsidiaries include structured entities where the substance of the relationship between the Group and the structured entity indicates that it is controlled by the Group. Subsidiaries are all entities (including structured entities) over which the Group has control. Control is achieved when the Group has power over the investee; is exposed, or has rights, to variable return from its involvement with the investee; and has the ability to use its power to affects its returns. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

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.

*(2) Accounting for business combinations*

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 (i.e.. 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.

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. Those interests of non-controlling shareholders that are present ownership interests entitling their holders to a proportionate share of net assets upon liquidation may initially be measured at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement is made on an acquisition-by-acquisition basis. Other non-controlling interests are initially measured at fair value. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

*(3) Transactions with non-controlling interests*

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.

## Notes to the financial statements

### 1. Accounting policies (continued)

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.

#### Revenue

The Group generates revenue primarily from the distribution and sale of food and related products to its Customers. Substantially all revenue is recognized at the point in time in which the product is delivered to the customer. The company grants certain Customers sales incentives, such as rebates or discounts, which could result in variable consideration. The variable consideration is based on amounts known at the time the performance obligation is satisfied and, therefore, require minimal judgment. Revenue is recognised at the transaction price net of any sales incentives, rebates or discounts which is agreed at contract inception.

#### Buying income

Buying income is received from Suppliers as a discount against the cost of products and services purchased. Discounts can take the form of banded overriders earned on purchase levels, marketing income, or product specific rebates. The credit is recognised in the income statement either against direct purchase cost or other costs and inventory is revalued to reflect the lower value after discount. Buying income is invoiced to or credited from Suppliers throughout the period, and at the period end any remaining receivable is recorded in line with supplier arrangement terms and management estimates based on confirmations from Suppliers and contracts.

#### Government Grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

#### Exceptional items

Where items of income and expense are considered to be material and / or outside the normal course of business in respect of restructuring and transformational project costs, separate disclosure of their nature and amount is provided in the consolidated financial statements. These costs are classified as exceptional items and consist of: restructuring charges, expenses associated with various transformation initiatives, termination costs and acquisition related costs. The Group considers the size and nature of an item both individually and when aggregated with similar items, when considering whether it is material.

Management believe that separate disclosure of exceptional items provides an important perspective with respect to our underlying business trends and results.

#### 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 assets.

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 12 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 period.

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.

#### Non-current assets held for sale

Non-current assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Non-current assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to take place within one year from the date of reclassification.

#### Investments in subsidiaries

Investments in subsidiaries held as non-current assets are accounted for at cost less any provision for impairment in value. If the directors consider that the fair value of investments in subsidiaries are below their carrying value then a provision for impairment would be made.

## Notes to the financial statements

### 1. Accounting policies (continued)

**Intangible assets**

*(1) 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'.

The Companies Act 2006 requires goodwill to be reduced by provisions for depreciation on a systematic basis over a period chosen by the directors, not exceeding its useful economic life. However, under IFRS 3 Business Combinations, goodwill is not amortised. Consequently, the Company does not amortise goodwill but reviews it for impairment on an annual basis or whenever there are indicators of impairment. The Company is therefore invoking a "true and fair view override" to overcome the prohibition of the non-amortisation of goodwill in the Companies Act 2006. The Company is not able to reliably estimate the impact on the financial statements of the true and fair view override on the basis that the useful life of goodwill cannot be predicted with a satisfactory level of reliability, nor can the pattern in which goodwill diminishes be known. 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.

*(1) 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.

*(2) 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.

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 11 years. These are assumed to have no residual value at the end of their expected useful economic life.

*(3) 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.

Brands are amortised on a straight-line basis over their expected useful economic lives, which are considered to range from 10 to 25 years. These are assumed to have no residual value at the end of their expected useful economic life.

Asset lives and residual values are reviewed during each financial period. 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.

**Impairment of non-financial assets**

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

The Group bases its impairment calculation on most recent budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

**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. 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 specific 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 are considered indicators that the trade receivable is impaired. The amount of the specific 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 income statement within admin costs. 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 income statement. In addition, the Group holds a general provision based on the expected credit loss (ECL) methodology defined by IFRS 9. This is an additional provision that is estimated based on the historical collection of trade receivables.

**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.

## Notes to the financial statements

### 1. Accounting policies (continued)

**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**

*Retirement benefit obligations*

The Group has both defined benefit and defined contribution pension plans.

*Defined benefit pension plans*

Following the amendment to IAS 19 'Employee Benefits' issued in December 2004 and subsequently revised in June 2011, the Group has adopted an accounting policy whereby actuarial gains and losses for defined benefit pension schemes are taken through the consolidated statement of comprehensive income in full each period, and the full deficit on an IAS 19 basis is included within the consolidated statement of financial position.

In the UK 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. In addition, in Brakes Continental Europe Division and Sweden 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.

The charge in the consolidated income statement in respect of the defined benefit pension plans comprises a net interest expense / income calculated as the product of the net defined benefit liability / asset and the discount rate as determined at the beginning of the period. The net interest expense / income is recognised in finance costs / income. Past service costs are recognised immediately in income.

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.

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).

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 period they occur, in the statement of comprehensive income.

*Defined contribution plans*

For defined contribution plans, the Group pays contributions to independently administered 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 and other payables**

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

**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's 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 consolidated 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 for the Euro and Swedish Krona at 1.15 (2022: 1.18) and 12.70 (2022: 12.18) respectively and the statements of financial position are translated at the exchange rates ruling at the date of the statements of financial position being 1.16 (2022: 1.16) for Euros and 13.66 (2022: 12.53) for Swedish Krona. 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.

**Borrowings and finance costs**

Borrowings are recognised initially at fair value (being the issue proceeds), less attributable transaction costs.

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.

## Notes to the financial statements

### 1. Accounting policies (continued)

**Finance income**

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

**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.

**Derivative financial instruments**

The Group uses derivative financial instruments, principally commodity swaps to hedge the diesel price, foreign currency forward swap contracts to manage foreign exchange risk and interest rate caps 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 either:

- hedges of a particular risk associated with a recognised asset or liability or a highly probable forecasted transaction (cash flow hedge)
- hedges of a net investment in a foreign operation (net investment 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 16 (b). Movements on the hedging reserve in shareholders' equity are shown in note 22. 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 hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. 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'.

(b) Net investment hedge

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges.

Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the consolidated income statement within 'finance costs - net'. Gains and losses accumulated in equity are included in the consolidated income statement when the foreign operation is partially disposed of or sold.

**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.

**Share based payments**

Certain Group employees are members of a share based payment arrangement provided by Sysco Corporation. Cash settled share based payments to certain employees are measured at the fair value of the equity instruments at the grant date using a Black-Scholes option pricing model. The fair value of the share based payment is expensed on an accelerated basis to reflect the vesting as it occurs over the requisite service period over the duration of the award. The requisite service period is generally the period which the employee is required to provide service in exchange for the award. A liability is recognised, measured initially at the fair value of the liability. At each balance sheet date until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured with any changes in fair value recognised in the income statement.

**Critical accounting judgements and estimates**

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

**Judgements**

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements:

*(a) Impairment review of brands and customer contracts and relationships*

The Group reviews brands and customer contracts and relationships annually to see if any indicators of impairment exist. If an impairment indicator exists, then the Group tests whether brands or customer lists and relationships have suffered any impairment loss by comparing the carrying value to the recoverable amounts.

## Notes to the financial statements

**1. Accounting policies (continued)**

*(b) Funding, liquidity, going concern and covenant compliance*

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 (borrowing facilities available and cash and cash equivalents) on the basis of expected cash flow. The Group maintains liquidity through available cash reserves and borrowing facilities available primarily through Sysco Corporation Group undertakings.

In assessing whether the financial statements for the Group are prepared on the going concern basis, the Directors have considered the future outlook of the Group. 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 are prepared on the going concern basis.

*(c) Exceptional cost policy*

The Group's accounting policy for exceptional items requires items of income and expense that are considered to be material and outside the normal course of business to be disclosed separately in the financial statements. Determining which items meet this definition requires judgement, particularly in relation to employee and other costs which require classification between exceptional items and those incurred in the normal course of business. Note 2 to the financial statements describes the nature of the Group's exceptional items. Certain employee costs within transitional dual running costs incurred within the 'restructuring of the UK distribution network' require the most degree of judgement

**Estimates**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

*(a) 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 terms 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 is recognised in respect of certain tax losses in France (£101.8m) and the UK (£47.3m). The key assumption used in recognition of this asset is based upon a track record of generating taxable profits over the past five years, management's forecasts for taxable profits for the next five years and the assumption that the losses will be available for utilisation. 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. During the year ended 2 July 2023 the UK business generated a profit after tax of £33.0m (year ended 3 July 2022: £10.6m) and for the first time post pandemic the French business is generating profits in the current financial year. Profits are expected to increase in both businesses over future years and management consider these businesses to be a going concern. The utilisation of the asset is considered more likely than not and therefore recognition is appropriate.

Management are constantly monitoring the performance of these businesses and whilst they consider the future forecasts to be achievable, if future profits were to deviate from the forecast in the UK and in France by 25%, recognition of the deferred tax asset would still be appropriate

*(b) Impairment review of goodwill*

The Group tests annually whether goodwill has suffered any impairment loss, in accordance with the accounting policy stated above. The recoverable amounts of cash generating units (CGUs) have been determined based on value-in-use calculations. These calculations require the use of estimates in relation to future cash flows and suitable discount rates as disclosed in note 6 to the financial statements. Actual outcomes could vary from these estimates.

*(c) Employee benefits – defined pension obligation*

The cost of the defined benefit pension plan and other post-employment medical benefits and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

One of the key assumptions used in determining the valuation at 2 July 2023 is the UK discount rate of 5.20%. Whilst the directors consider that the adoption of a 5.20% discount rate is appropriate if the rate used had been 0.2% higher or lower the retirement benefit asset would have been approximately £4.3m 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 £5.2m higher or lower.

Further details about pension obligations are provided in Note 17.

(d) Share based payments

Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which depends on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option or appreciation right, volatility and dividend yield and making assumptions about them. The fair value of each option is estimated as of the date of grant using a Black-Scholes option pricing model. Expected dividend yield is estimated based on the historical pattern of dividends and the average stock price for the year preceding the option grant. Expected volatility is based on historical volatility of Sysco's stock, implied volatilities from traded options on Sysco's stock and other factors. The risk-free interest rate for the expected term of the option is based on the US Treasury yield curve in effect at the time of the grant. Sysco uses historical data to estimate option exercise and employee termination behaviour within the valuation model.

## Notes to the financial statements

### 2. Revenue and operating profit

| | For the year ended 2 July 2023 | For the year ended 3 July 2022 |
|---|---|---|
| | £m | £m |
| Revenue - products | 4,833.5 | 3,879.5 |
| Direct purchase cost | (3,691.1) | (2,916.2) |
| Trading profit | 1,142.4 | 963.3 |
| Distribution and selling costs | (882.9) | (721.5) |
| Gross profit | 259.5 | 241.8 |
| Administrative expenses | (201.1) | (239.7) |
| Exceptional items (see below) | (10.1) | (25.8) |
| Amortisation of intangible assets | (4.8) | (21.0) |
| Total administrative expenses | (216.0) | (286.5) |
| Group operating profit/(loss) | 43.5 | (44.7) |

The Group operating profit/(loss) is all derived from material continuing operations.

The Group's revenue primarily comprises of sales to Customers within the United Kingdom amounting to £2,808.6m (2022: £2,185.2m), within France amounting to £1,375.3m (2022: £1,123.4m) and Sweden amounting to £649.6m (2022: £570.9m). The Revenue by product line is as follows:

| | For the year ended 2 July 2023 | For the year ended 3 July 2022 |
|---|---|---|
| | £m | £m |
| Healthcare and Hospitality | 144.6 | 121.2 |
| Dairy Products | 575.9 | 409.2 |
| Meats | 680.2 | 526.3 |
| Seafood | 173.4 | 160.7 |
| Poultry | 175.9 | 135.1 |
| Frozen | 1,178.0 | 969.2 |
| Canned and Dry | 924.9 | 693.3 |
| Paper and Disposables | 12.4 | 10.0 |
| Chemical and Janitorial | 3.7 | 3.4 |
| Supply and Equipment | 135.4 | 176.8 |
| Produce | 413.3 | 353.6 |
| Dispenser Beverage | 345.6 | 261.2 |
| Alcohol | 24.0 | 22.8 |
| Intercompany sales to other Sysco Companies | 14.4 | 10.8 |
| Other income | 31.8 | 25.9 |
| **Total** | 4,833.5 | 3,879.5 |

| | For the year ended 2 July 2023 | For the year ended 3 July 2022 |
|---|---|---|
| Profit / (loss) on ordinary activities before taxation is arrived at after charging: | £m | £m |
| Employment costs (note 25) | 594.2 | 541.8 |
| Inventories | | |
| - cost of inventories recognised as an expense (included in direct purchase cost) | 3,667.4 | 2,898.0 |
| - write downs and losses incurred in the year / period | 23.7 | 18.2 |
| Amortisation of intangible assets | 22.1 | 21.0 |
| Depreciation of property, plant and equipment | | |
| - owned assets | 46.2 | 43.9 |
| - Right-of-use assets | 44.4 | 51.2 |
| Loss on sale of property, plant and equipment | 5.1 | 2.9 |
| Repairs and maintenance expenditure on property, plant and equipment | 42.7 | 32.9 |
| Trade receivables impairment (recovery) (note 11) | 5.0 | (0.9) |
| | | |
| **Exceptional items** | | |
| - Restructuring of the UK distribution network | 2.9 | 3.9 |
| - UK Restructuring and other costs | 5.1 | 10.3 |
| - Sysco France restructuring and other costs | 2.1 | 14.9 |
| - Menigo Foodservice AB restructuring costs and other costs | - | 0.5 |
| - Covid-19 | - | (3.8) |
| Total exceptional items | 10.1 | 25.8 |

The cash outflow in the year in relation to exceptional items was £17.4m (2022: £26.9m)

## Notes to the financial statements

**2. Revenue and operating profit (continued)**

*Restructuring of the UK distribution network*

The Group continues to incur costs in relation to the overhaul of the distribution network and restructuring of the information systems' infrastructure in the UK. The Group has incurred significant costs on dedicated teams recruited to manage the programme implementation and transitional dual running costs incurred during the course of transferring volumes from closing sites to new sites and associated provision for onerous contracts and other liabilities. These costs will cease to be incurred upon the conclusion of the programme in 2029.

*Other UK restructuring and other costs*

During the prior year, the businesses in the UK were combined under one leadership team; as part of this reorganisation the leadership team are undertaking a restructuring project in order to optimise and deliver profitable growth in the future.

During the year, the businesses in the UK have begun restructuring the BT infrastructure, from a local to a regional model.

*Sysco France restructuring costs*

Sysco France incurred restructuring costs in relation to the operational merger of various operations through France. In addition, gains on disposals were recognised in respect of site closures.

**Auditors**

During the year the Group obtained the following services from the Group's auditors and its associates at the following costs:

Fees payable to the Company's auditor for the audit of the parent company amounted to £1.3m (2022: £1.2m). Fees payable to the Company's auditor and its associates for other services are detailed as follows:

| | **For the year ended 2 July 2023** | For the year ended 3 July 2022 |
|---|---|---|
| **Other services:** | **£m** | £m |
| The audit of the Company's parent and subsidiary undertakings | **1.3** | 1.0 |
| Other non-audit services | **-** | 0.2 |
| | **1.3** | 1.2 |

**3. Finance costs - net**

| | **For the year ended 2 July 2023** | For the year ended 3 July 2022 |
|---|---|---|
| | **£m** | £m |
| **Finance costs:** | | |
| Other loans and charges | **(5.3)** | (3.0) |
| Loans from parent undertakings | **(9.1)** | (8.2) |
| Lease obligations | **(8.3)** | (13.3) |
| *Net interest on net defined benefit liability (note 17)* | **(1.0)** | (1.2) |
| **Total finance costs** | **(23.7)** | (25.7) |
| **Finance income:** | | |
| Other interest income | **0.5** | 0.1 |
| Loans to parent undertakings | **13.4** | 13.1 |
| **Total finance income** | **13.9** | 13.2 |
| Finance costs - net | **(9.8)** | (12.5) |

**4. Income tax credit**

| Taxation is based on the profit for the year and comprises: | **For the year ended 2 July 2023** | For the year ended 3 July 2022 |
|---|---|---|
| | **£m** | £m |
| Current tax | | |
| - current year Group relief | **2.5** | 2.7 |
| - adjustments in respect of previous years | **(1.4)** | (0.3) |
| - overseas taxation | **1.1** | 0.4 |
| Deferred taxation | | |
| - origination and reversal of temporary differences | **(6.2)** | 0.8 |
| - overseas deferred taxation | **(5.1)** | (6.5) |
| Income tax credit | **(9.1)** | (2.9) |

## Notes to the financial statements

**4. Income tax credit (continued)**

| | For the year ended 2 July 2023 | For the year ended 3 July 2022 |
|---|---|---|
| | £m | £m |
| Profit / (Loss) on ordinary activities before tax | 33.7 | (57.2) |
| At 20.50% (2022: 19.00%) | 6.9 | (10.8) |
| Effects of: | | |
| Adjustments to tax charge in respect of previous years | (1.4) | (0.3) |
| Adjustments to deferred tax charge in respect of current year | (11.3) | (5.7) |
| Expenses not deductible for tax purposes and other adjustments | (3.3) | 13.9 |
| Tax credit | (9.1) | (2.9) |

From 1 April 2023, the main rate of corporation tax changed to 25%. The main UK corporation tax rate had previously been 19% since 1 April 2017.

In addition to the amount credited to the income statement, the following amounts relating to tax have been recognised in other comprehensive income:

| | For the year ended 2 July 2023 | For the year ended 3 July 2022 |
|---|---|---|
| | £m | £m |
| Deferred tax | | |
| *Items that will not be reclassified to profit or loss:* | | |
| Deferred tax (credit) / charge on retirement benefit obligation actuarial gains and losses | (14.4) | 5.9 |
| *Items that may not be reclassified to profit or loss:* | | |
| Deferred tax (credit) / charge on cash flow hedges (see note 19) | (1.1) | 0.8 |
| | (15.5) | 6.7 |

**5. Profit / (Loss) 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 £33.0m (2022: £10.6m).

**6. Goodwill**

| | Group | Company |
|---|---|---|
| | £m | £m |
| **Cost and net book value** | | |
| At 3 July 2022 | 196.4 | 28.2 |
| Exchange adjustment | (0.1) | - |
| **As at 2 July 2023** | 196.3 | 28.2 |

| | Group | Company |
|---|---|---|
| | £m | £m |
| **Cost and net book value** | | |
| At 4 July 2021 | 189.2 | 28.2 |
| Acquisition of subsidiaries (note 24) | 7.0 | |
| Exchange adjustment | 0.2 | - |
| **As at 3 July 2022** | 196.4 | 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 business segments (representing Groups of CGUs) is as follows:

| Group | At 2 July 2023 £m | At 3 July 2022 £m |
|---|---|---|
| UK | **121.5** | 121.5 |
| France | **42.6** | 42.6 |
| Sweden | **32.2** | 32.3 |
| Cost and net book value | **196.3** | 196.4 |

In the UK segment the core foodservice CGUs comprises Sysco GB and Northern Ireland. In France it principally comprises the trading company Sysco France SAS and in Sweden it principally comprises the trading company Menigo Foodservice AB.

**Impairment reviews**

An overview of impairment reviews performed by management 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 three financial years. 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.
- Long term GDP growth rate. The long term growth rates applied to the cash flow projections are based on economic forecasts relating to the relevant operating segments.

The forecasts are based on the approved management plan covering the next three financial years. Subsequent cash flows have been forecast to increase by 3.0% (2022: 3.0%) for all CGUs in the UK and Northern Ireland, 3.0% (2022: 3.0%) in France and 3.0% (2022: 3.0%) in Sweden 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 reportable segments were discounted primarily using post-tax discount rates at 10.0% (2022: between 9.0% and 10.5%) in the UK and Ireland, 10.0% (2022: 9.0%) in France and 10.0% (2022: 9.0%) in Sweden. The directors have concluded that there is no impairment because there is a headroom of recoverable amounts in excess of carrying value.

## Notes to the financial statements

### 7. Intangible Assets

| Group | Brands £m | Customer contracts and relationships £m | Computer software £m | Total £m |
|---|---|---|---|---|
| **Cost** | | | | |
| At 3 July 2022 | 28.6 | 57.6 | 222.9 | 309.1 |
| Exchange adjustment | (0.1) | (0.3) | (1.4) | (1.8) |
| Reclassification | - | - | 0.1 | 0.1 |
| Additions | - | - | 24.2 | 24.2 |
| Disposals | - | - | (9.0) | (9.0) |
| **As at 2 July 2023** | **28.5** | **57.3** | **236.8** | **322.6** |
| **Accumulated amortisation** | | | | |
| As at 3 July 2022 | 13.7 | 37.0 | 164.4 | 215.1 |
| Exchange adjustment | - | (0.1) | (0.8) | (0.9) |
| Charge for the year | 1.7 | 4.6 | 15.8 | 22.1 |
| Disposals | - | - | (8.9) | (8.9) |
| **As at 2 July 2023** | **15.4** | **41.5** | **170.5** | **227.4** |
| **Net book value at 2 July 2023** | **13.1** | **15.8** | **66.3** | **95.2** |

| Group | Brands £m | Customer contracts and relationships £m | Computer software £m | Total £m |
|---|---|---|---|---|
| **Cost** | | | | |
| At 4 July 2021 | 27.9 | 52.1 | 200.5 | 280.5 |
| Exchange adjustment | (0.1) | (0.2) | (0.5) | (0.8) |
| Reclassification | - | - | 1.5 | 1.5 |
| Acquisition of Business | 0.8 | 5.7 | - | 6.5 |
| Additions | - | - | 22.4 | 22.4 |
| Disposals | - | - | (1.0) | (1.0) |
| **At 3 July 2022** | **28.6** | **57.6** | **222.9** | **309.1** |
| **Accumulated amortisation** | | | | |
| At 4 July 2021 | 10.9 | 32.5 | 150.7 | 194.1 |
| Exchange adjustment | - | (0.1) | (0.4) | (0.5) |
| Reclassification | - | - | 0.2 | 0.2 |
| Charge for the year | 1.7 | 4.6 | 14.7 | 21.0 |
| Impairment | 1.1 | - | - | 1.1 |
| Disposals | - | - | (0.8) | (0.8) |
| **At 3 July 2022** | **13.7** | **37.0** | **164.4** | **215.1** |
| **Net book value at 3 July 2022** | **14.9** | **20.6** | **58.5** | **94.0** |

| Company | Brands £m | Customer contracts and relationships £m | Computer software £m | Total £m |
|---|---|---|---|---|
| **Cost** | | | | |
| As at 3 July 2022 | 2.2 | - | 85.2 | 87.4 |
| Additions | | - | 10.8 | 10.8 |
| Disposals | - | - | (7.5) | (7.5) |
| **As at 2 July 2023** | **2.2** | **-** | **88.5** | **90.7** |
| **Accumulated amortisation** | | | | |
| As at 3 July 2022 | 2.2 | - | 56.2 | 58.4 |
| Charge for the year | - | - | 7.2 | 7.2 |
| Disposals | - | - | (7.5) | (7.5) |
| **As at 2 July 2023** | **2.2** | **-** | **55.9** | **58.1** |
| **Net book value at 2 July 2023** | **-** | **-** | **32.6** | **32.6** |

| Company | Brands £m | Customer contracts and relationships £m | Computer software £m | Total £m |
|---|---|---|---|---|
| **Cost** | | | | |
| At 4 July 2021 | 2.2 | - | 76.4 | 78.6 |
| Additions | | - | 10.8 | 10.8 |
| Reclassification | - | - | (1.0) | (1.0) |
| Disposals | - | - | (1.0) | (1.0) |
| **At 3 July 2022** | **2.2** | **-** | **85.2** | **87.4** |
| **Accumulated amortisation** | | | | |
| At 4 July 2021 | 1.1 | - | 50.3 | 51.4 |
| Charge for the period | 0.1 | - | 6.9 | 7.0 |
| Impairment | 1.0 | - | - | 1.0 |
| Disposals | - | - | (1.0) | (1.0) |
| **At 3 July 2022** | **2.2** | **-** | **56.2** | **58.4** |
| **Net book value at 3 July 2022** | **-** | **-** | **29.0** | **29.0** |

## 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** | | | | | |
| At 3 July 2022 | 624.5 | 219.8 | 210.0 | 47.0 | 1,101.3 |
| Exchange adjustments | (3.8) | (0.4) | (0.7) | (0.2) | (5.1) |
| Reclassifications | 3.4 | 0.8 | (4.6) | 0.3 | (0.1) |
| Additions | 25.6 | 35.1 | 31.0 | 8.6 | 100.3 |
| Disposals | (5.1) | (15.4) | (5.7) | (10.0) | (36.2) |
| **As at 2 July 2023** | **644.6** | **239.9** | **230.0** | **45.7** | **1,160.2** |
| **Accumulated depreciation** | | | | | |
| At 3 July 2022 | 188.5 | 113.6 | 122.0 | 32.7 | 456.8 |
| Exchange adjustment | (1.3) | (0.3) | (0.5) | (0.1) | (2.2) |
| Reclassifications | 0.2 | (0.2) | - | - | - |
| Charge for the year | 38.6 | 29.5 | 17.4 | 5.1 | 90.6 |
| Impairments | 0.8 | - | - | - | 0.8 |
| Disposals | (2.1) | (13.5) | (5.2) | (10.0) | (30.8) |
| **As at 2 July 2023** | **224.7** | **129.1** | **133.7** | **27.7** | **515.2** |
| **Net book value at 2 July 2023** | **419.9** | **110.8** | **96.3** | **18.0** | **645.0** |

Reclassifications from property, plant and equipment in the year ended 2 July 2023 primarily relate to reclassifications to move assets under construction to the correct asset class.

| Group | Land and buildings £m | Motor vehicles £m | Plant and equipment £m | Information technology hardware £m | Total £m |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| At 4 July 2021 | 619.6 | 204.1 | 203.5 | 44.9 | 1,072.1 |
| Exchange adjustments | (1.7) | (0.1) | - | (0.7) | (2.5) |
| Reclassifications | (7.3) | (0.2) | (2.6) | (0.9) | (11.0) |
| Additions | 2.8 | 0.4 | 0.2 | . | 3.4 |
| Disposals of business | 19.0 | 26.7 | 20.2 | 8.0 | 73.9 |
| Disposals | (7.9) | (11.1) | (11.3) | (4.3) | (34.6) |
| **At 3 July 2022** | **624.5** | **219.8** | **210.0** | **47.0** | **1,101.3** |
| **Accumulated depreciation** | | | | | |
| At 4 July 2021 | 159.4 | 90.8 | 115.5 | 32.5 | 398.2 |
| Exchange adjustment | (0.6) | (0.1) | (0.1) | - | (0.8) |
| Reclassifications | (5.5) | (0.2) | (1.0) | (0.4) | (7.1) |
| Charge for the year | 40.4 | 32.5 | 17.5 | 4.7 | 95.1 |
| Disposals of business | (1.3) | (0.6) | (0.6) | - | (2.5) |
| Disposals | (3.9) | (8.8) | (9.3) | (4.1) | (26.1) |
| **At 3 July 2022** | **188.5** | **113.6** | **122.0** | **32.7** | **456.8** |
| **Net book value at 3 July 2022** | **436.0** | **106.2** | **88.0** | **14.3** | **644.5** |

Reclassifications from property, plant and equipment in the year ended 3 July 2022 primarily relate to six sites in France that were classified as held for sale and recorded within other prepayments under IFRS5.

Land and buildings comprise:

| | **At 2 July 2023 £m** | At 3 July 2022 £m |
|---|---|---|
| **Cost** | | |
| Freehold | **296.9** | 290.9 |
| Long leasehold | **24.8** | 25.8 |
| Short leasehold | **322.9** | 307.8 |
| | **644.6** | 624.5 |
| **Accumulated depreciation** | | |
| Freehold | **119.2** | 111.5 |
| Long leasehold | **2.0** | 1.1 |
| Short leasehold | **103.5** | 75.9 |
| | **224.7** | 188.5 |

## Notes to the financial statements

### 8. Property, plant and equipment (continued)

The Group leases many assets including property, vehicles and equipment. Included within total tangible assets are the following Right-of-use assets recognised in accordance with IFRS 16 "Leases".

| Right-of-use assets | Land and buildings £m | Motor vehicles £m | Plant and equipment £m | Total Right of Use assets £m |
|---|---|---|---|---|
| Balance at 3 July 2022 | 255.5 | 51.8 | 5.3 | 312.6 |
| Exchange | (2.4) | - | - | (2.4) |
| Impairment | (0.8) | - | - | (0.8) |
| Additions to right-of-use assets | 17.4 | 10.9 | 3.2 | 31.5 |
| Depreciation | (25.8) | (16.1) | (2.5) | (44.4) |
| Disposals | (2.5) | (1.8) | (0.1) | (4.4) |
| **Balance at 2 July 2023** | **241.4** | **44.8** | **5.9** | **292.1** |

| Company | Land and buildings £m | Motor vehicles £m | Plant and equipment £m | Information technology hardware £m | Total £m |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| As at 3 July 2022 | 257.4 | 130.0 | 71.2 | 26.5 | 485.1 |
| Intercompany transfers | - | (0.5) | - | - | (0.5) |
| Additions | 10.2 | 21.1 | 13.6 | 6.4 | 51.3 |
| Disposals | (0.4) | (5.6) | (2.3) | (9.6) | (17.9) |
| **As at 2 July 2023** | **267.2** | **145.0** | **82.5** | **23.3** | **518.0** |
| **Accumulated depreciation** | | | | | |
| As at 3 July 2022 | 72.5 | 67.3 | 51.6 | 20.2 | 211.6 |
| Intercompany transfers | - | (0.4) | - | - | (0.4) |
| Charge for the year | 14.1 | 13.4 | 5.7 | 2.0 | 35.2 |
| Disposals | (0.3) | (3.9) | (2.3) | (9.6) | (16.1) |
| **As at 2 July 2023** | **86.3** | **76.4** | **55.0** | **12.6** | **230.3** |
| **Net book value at 2 July 2023** | **180.9** | **68.6** | **27.5** | **10.7** | **287.7** |

| Company | Land and buildings £m | Motor vehicles £m | Plant and equipment £m | Information technology hardware £m | Total £m |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| At 4 July 2021 | 255.2 | 121.4 | 70.5 | 25.4 | 472.5 |
| Reclassification | - | - | - | 1.0 | 1.0 |
| Additions | 2.9 | 11.4 | 6.7 | 3.2 | 24.2 |
| Disposals | (0.7) | (2.8) | (6.0) | (3.1) | (12.6) |
| **At 3 July 2022** | **257.4** | **130.0** | **71.2** | **26.5** | **485.1** |
| **Accumulated depreciation** | | | | | |
| At 4 July 2021 | 59.7 | 55.1 | 51.8 | 21.4 | 188.0 |
| Charge for the year | 13.2 | 13.9 | 5.5 | 1.9 | 34.5 |
| Disposals | (0.4) | (1.7) | (5.7) | (3.1) | (10.9) |
| **At 3 July 2022** | **72.5** | **67.3** | **51.6** | **20.2** | **211.6** |
| **Net book value at 3 July 2022** | **184.9** | **62.7** | **19.6** | **6.3** | **273.5** |

Land and buildings comprise:

| | **At 2 July 2023 £m** | At 3 July 2022 £m |
|---|---|---|
| **Cost** | | |
| Freehold | **85.9** | 85.9 |
| Long leasehold | **-** | - |
| Short leasehold | **181.3** | 171.5 |
| | **267.2** | 257.4 |
| **Accumulated depreciation** | | |
| Freehold | **38.9** | 33.9 |
| Long leasehold | **-** | - |
| Short leasehold | **47.4** | 38.6 |
| | **86.3** | 72.5 |

## Notes to the financial statements

### 8. Property, plant and equipment (continued)

The Company leases many assets including property, vehicles and equipment. Included within total tangible assets are the following right-of-use assets recognised in accordance with IFRS 16 "Leases".

| Right-of-use assets | Land and buildings £m | Motor vehicles £m | Plant and equipment £m | Information technology hardware £m | Total Right of Use assets £m |
|---|---|---|---|---|---|
| Balance at 3 July 2022 | 134.5 | 7.6 | 0.1 | 0.1 | **142.2** |
| Additions to right-of-use assets | 10.1 | 5.0 | - | - | **15.1** |
| Depreciation | (10.7) | (2.3) | - | (0.1) | **(13.1)** |
| Disposals | - | (1.8) | - | - | **(1.8)** |
| **Balance at 2 July 2023** | **133.9** | **8.5** | **0.1** | **-** | **142.4** |

### 9. Investments in subsidiaries

| Company | At cost £m | Provision £m | Write down £m | Net book value £m |
|---|---|---|---|---|
| **At 2 July 2023 / 3 July 2022** | **1,162.0** | **(3.2)** | **(315.0)** | **843.8** |

| Company | At cost £m | Provision £m | Write down £m | Net book value £m |
|---|---|---|---|---|
| At 4 July 2021 | 899.3 | (6.2) | (56.3) | 836.8 |
| Capital Contribution during the period | - | - | - | - |
| Write down of investment in dormant company | (3.0) | 3.0 | (258.7) | (258.7) |
| Additional shares acquired during the period | 265.7 | - | - | 265.7 |
| At 3 July 2022 | 1,162.0 | (3.2) | (315.0) | 843.8 |

The directors consider that the value of the investments are supported by the underlying assets and the expected future performance of the Group.

The subsidiary undertakings at 2 July 2023 are listed as follows:

| Name of Company | Country of incorporation | Percentage interest held | Operating in: |
|---|---|---|---|
| **Trading subsidiary undertakings:** | | | |
| Fresh Direct (UK) Limited | England and Wales | 100.00% | United Kingdom |
| Kent Frozen Foods Limited | England and Wales | 100.00% | United Kingdom |
| Sysco Foods NI Limited | Northern Ireland | 100.00% | United Kingdom |
| Menigo Foodservice AB | Sweden | 100.00% | Sweden |
| Medina Quay Meats Limited | England and Wales | 100.00% | United Kingdom |
| **Other subsidiary undertakings:** | | | |
| Fresh Direct Limited | England and Wales | 100.00% | United Kingdom |
| Brake Bros Foodservice Limited | England and Wales | 100.00% | United Kingdom |
| Sysco France Holding SAS | France | 100.00% | France |
| Victua SAS | France | 100.00% | France |
| **Dormant subsidiary undertakings:** | | | |
| M&J Seafood Holdings Limited | England and Wales | 100.00% | United Kingdom |

The Group undertakings at 2 July 2023 are listed as follows:

| Name of Company | Country of incorporation | Percentage interest held | Operating in: |
|---|---|---|---|
| **Trading Group undertakings:** | | | |
| Servicestyckarna i Johanneshov AB | Sweden | 100.00% | Sweden |
| Fruktserice i Helsingborg AB | Sweden | 100.00% | Sweden |
| Clafra AB | Sweden | 100.00% | Sweden |
| EKO Fågel fisk och mittemellan AB | Sweden | 100.00% | Sweden |
| Restaurangakdemien AB | Sweden | 100.00% | Sweden |
| Sysco France SAS | France | 100.00% | France |
| Les Ateliers du Gout. | France | 100.00% | France |
| Sysco Belgium SA (formerly Davigel Belgilux SA) | Belgium | 100.00% | Belgium |

## Notes to the financial statements

### 9. Investments in subsidiaries (continued)

| Name of Company | Country of incorporation | Percentage interest held | Operating in: | |
|---|---|---|---|---|
| Other Group undertakings: | | | | |
| SCI Bianchi Montegut | France | 100.00% | France | |
| SCI Le Dauphin | France | 100.00% | France | |
| SCI De Boiseau | France | 100.00% | France | |
| SCI De Garcelles | France | 100.00% | France | |
| SCI JD Lanjouan | France | 100.00% | France | |

During the year the following Group undertakings were either dissolved or ceased to exist:

| | | | | |
|---|---|---|---|---|
| Fresh Direct Group Limited | England and Wales | 100.00% | United Kingdom | Dissolved 26 July 2022 |
| Fresh Holdings Limited | England and Wales | 100.00% | United Kingdom | Dissolved 26 July 2022 |
| Amotts (Fruit) Limited | Northern Ireland | 100.00% | United Kingdom | Dissolved 26 July 2022 |
| Crossgar Foodservice Limited | Northern Ireland | 100.00% | United Kingdom | Dissolved 27 December 2022 |
| M&J Seafood Limited | England and Wales | 100.00% | United Kingdom | Dissolved 25 July 2023 |

### 9(a). Investment in associate

The Company's investment undertaking is Stockholms Fiskauktion AB, a trading company incorporated in Sweden, who have a wholly owned subsidiary Smögens Fiskauktion AB. The investment held of 20% (£0.2m) is in the ordinary share capital of the company and the directors consider that the value of the investment is supported by the underlying assets.

### 10. Inventories

| | Group | | Company | |
|---|---|---|---|---|
| | **At 2 July 2023** | At 3 July 2022 | **At 2 July 2023** | At 3 July 2022 |
| | **£m** | £m | **£m** | £m |
| Raw materials and consumables | **24.4** | 17.7 | **0.5** | 0.6 |
| Finished goods and goods for resale | **303.6** | 228.4 | **114.5** | 85.9 |
| | **328.0** | 246.1 | **115.0** | 86.5 |

### 11. Trade and other receivables

| | Group | | Company | |
|---|---|---|---|---|
| | **At 2 July 2023** | At 3 July 2022 | **At 2 July 2023** | At 3 July 2022 |
| | **£m** | £m | **£m** | £m |
| Trade receivables | **477.9** | 471.6 | **256.5** | 245.4 |
| Less: provision for impairment of receivables | **(21.8)** | (36.1) | **(11.0)** | (24.3) |
| Trade receivables - net | **456.1** | 435.5 | **245.5** | 221.1 |
| Amounts owed by Group undertakings | **-** | - | **84.9** | 55.1 |
| Amounts owed by parent undertakings | **104.6** | 87.1 | **104.0** | 97.3 |
| Amounts owed by related undertakings | **106.2** | 56.3 | **1.0** | 0.8 |
| Loans owed by parent undertakings | **234.0** | 228.3 | **234.0** | 228.3 |
| Other receivables | **38.7** | 42.5 | **7.2** | 8.3 |
| Prepayments | **30.6** | 27.6 | **13.9** | 13.4 |
| | **970.2** | 877.3 | **690.5** | 624.3 |

The loans owed by parent undertakings comprise three loans of £15.3m, £150.7m and £68.0m which accrue interest at a rate of 6.0%.

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.

The average credit period taken on sales of goods is 36 days (2022: 37 days). Interest at various rates may be charged on overdue trade receivables.

As of 2 July 2023, Group trade receivables of £364.5m (2022: £366.2m) and Company trade receivables of £200.2m (2022: £180.9m) were fully performing.

As of 2 July 2023, Group trade receivables of £91.6m (2022: £69.3m) and Company trade receivables of £45.3m (2022: £40.2m) were past due but not impaired. The ageing analysis of these trade receivables is as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **At 2 July 2023** | At 3 July 2022 | **At 2 July 2023** | At 3 July 2022 |
| | **£m** | £m | **£m** | £m |
| Up to 3 months | **70.4** | 51.9 | **30.0** | 30.4 |
| 3 to 6 months | **21.2** | 17.4 | **15.3** | 9.8 |
| | **91.6** | 69.3 | **45.3** | 40.2 |

## Notes to the financial statements

### 11. Trade and other receivables (continued)

As of 2 July 2023, trade receivables of £21.8m (2022: £36.1m) were impaired and provided for. The amount of the provision was £21.8m as of 2 July 2023 (2022: £36.1m). 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 | | Company | |
|---|---|---|---|---|
| | **At 2 July 2023** | At 3 July 2022 | **At 2 July 2023** | At 3 July 2022 |
| | **£m** | £m | **£m** | £m |
| Up to 3 months | **3.5** | 1.0 | **0.7** | 0.5 |
| 3 to 6 months | **2.5** | 2.1 | **1.4** | 0.7 |
| Over 6 months | **15.8** | 33.0 | **8.9** | 23.1 |
| | **21.8** | 36.1 | **11.0** | 24.3 |

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 | | Company | |
|---|---|---|---|---|
| | **At 2 July 2023** | At 3 July 2022 | **At 2 July 2023** | At 3 July 2022 |
| | **£m** | £m | **£m** | £m |
| Pounds | **724.5** | 698.4 | **690.5** | 624.3 |
| Euros | **177.1** | 115.5 | **-** | - |
| Swedish Krona | **68.6** | 63.4 | **-** | - |
| | **970.2** | 877.3 | **690.5** | 624.3 |

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

| | Group | | Company | |
|---|---|---|---|---|
| | **For the year ended 2 July 2023** | For the year ended 3 July 2022 | **For the year ended 2 July 2023** | For the year ended 3 July 2022 |
| | **£m** | £m | **£m** | £m |
| At 3 July 2022/ 4 July 2021 | **36.1** | 43.3 | **24.1** | 26.8 |
| Exchange adjustment | **-** | (0.1) | **-** | - |
| Provision for receivables impairment | **5.0** | (0.9) | **2.6** | (0.9) |
| Receivables written off during the year as uncollectible | **(19.3)** | (6.2) | **(15.7)** | (1.8) |
| **At 2 July 2023 / 3 July 2022** | **21.8** | 36.1 | **11.0** | 24.1 |

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 not contain impaired assets.

### 12. Cash and cash equivalents

| | Group | | Company | |
|---|---|---|---|---|
| | **At 2 July 2023** | At 3 July 2022 | **At 2 July 2023** | At 3 July 2022 |
| | **£m** | £m | **£m** | £m |
| Cash at bank and in hand | **63.1** | 53.7 | **24.0** | 10.9 |

The effective interest rate on short term deposits was 0%. The effective interest rate on company cash at bank and in hand is 0.0% (2022 0.0%).

### 13. Trade and other payables

| | Group | | Company | |
|---|---|---|---|---|
| | **At 2 July 2023** | At 3 July 2022 | **At 2 July 2023** | At 3 July 2022 |
| | **£m** | £m | **£m** | £m |
| Trade payables | **788.8** | 688.8 | **536.7** | 427.3 |
| Amounts owed to parent undertakings | **160.4** | 179.4 | **119.8** | 157.8 |
| Amounts owed to Group undertakings | **-** | - | **91.6** | 30.2 |
| Amounts owed to related undertakings | **138.0** | 99.8 | **1.1** | 14.5 |
| Other taxes and social security | **33.8** | 27.2 | **7.9** | 7.7 |
| Other payables | **42.5** | 48.6 | **1.6** | 1.2 |
| Accruals | **52.5** | 65.5 | **30.1** | 36.4 |
| | **1,216.0** | 1,109.3 | **788.8** | 675.1 |

The average credit period taken for trade purchases is 73 days (2022: 77 days). For most Suppliers no interest is charged on the trade payables for the first 60 days from the date of the invoice and thereafter interest may be charged on the outstanding balances at various interest rates.

## Notes to the financial statements

### 14. Current income tax assets

| | Group | |
|---|---|---|
| | **At 2 July 2023** | At 3 July 2022 |
| | **£m** | £m |
| Corporation tax - UK | **-** | - |
| Corporation tax - overseas | **5.0** | 3.5 |
| | 5.0 | 3.5 |

| | **At 2 July 2023** | At 3 July 2022 |
|---|---|---|
| | **£m** | £m |
| Corporation tax assets | **5.0** | 3.5 |
| Corporation tax liabilities | **-** | - |
| | **5.0** | 3.5 |

### 15. Financial liabilities - borrowings

| | Group | | Company | |
|---|---|---|---|---|
| | **At 2 July 2023** | At 3 July 2022 | **At 2 July 2023** | At 3 July 2022 |
| **Current** | **£m** | £m | **£m** | £m |
| Loans owed to parent undertakings | **118.5** | 120.3 | **118.4** | 120.3 |
| Loans owed to Group undertakings | **-** | - | **132.2** | 132.1 |
| Lease Liabilities | **39.4** | 44.2 | **12.1** | 14.3 |
| | **157.9** | 164.5 | **262.7** | 266.7 |

| | Group | | Company | |
|---|---|---|---|---|
| | **At 2 July 2023** | At 3 July 2022 | **At 2 July 2023** | At 3 July 2022 |
| **Non-current** | **£m** | £m | **£m** | £m |
| Loans owed to parent undertakings | **209.2** | 120.3 | **118.4** | 120.3 |
| Loans owed to Group undertakings | **-** | - | **132.2** | 132.1 |
| Lease Liabilities | **316.4** | 336.1 | **164.5** | 165.5 |
| | **525.6** | 456.4 | **415.1** | 417.9 |
| Less amounts falling due within one year | **(157.9)** | (164.5) | **(262.7)** | (266.7) |
| | **367.7** | 291.9 | **152.4** | 151.2 |

The carrying amounts of borrowings are denominated in the following currencies:

| | Group | | Company | |
|---|---|---|---|---|
| | **At 2 July 2023** | At 3 July 2022 | **At 2 July 2023** | At 3 July 2022 |
| | **£m** | £m | £m | **£m** |
| Pounds Sterling | **192.3** | 140.5 | 305.0 | 305.8 |
| Euros | **302.4** | 283.2 | 110.2 | 112.1 |
| Swedish Krona | **30.9** | 32.7 | - | - |
| | **525.6** | 456.4 | 415.1 | 417.9 |

| Included within total borrowings as lease obligations as follows: | Group | | Company | |
|---|---|---|---|---|
| | **At 2 July 2023** | At 3 July 2022 | **At 2 July 2023** | At 3 July 2022 |
| | **£m** | £m | **£m** | £m |
| Current | **39.4** | 44.2 | **12.1** | 14.3 |
| Non Current | **277.0** | 291.9 | **152.4** | 151.2 |
| | **316.4** | 336.1 | **164.5** | 165.5 |

## Notes to the financial statements

**15. Financial liabilities - borrowings (continued)**

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** | |
|---|---|---|---|---|
| | **At 2 July 2023** | At 3 July 2022 | **At 2 July 2023** | At 3 July 2022 |
| | **£m** | £m | **£m** | £m |
| Borrowings at floating interest rates | **118.5** | 120.3 | **250.6** | 252.4 |
| Fixed rate borrowings maturing: | | | | |
| - within one year | **39.4** | 44.2 | **12.1** | 14.3 |
| - one to five years | **240.3** | 157.6 | **54.9** | 54.4 |
| - over five years | **127.4** | 134.2 | **97.5** | 96.8 |
| | **525.6** | 456.4 | **415.1** | 417.9 |

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

| | Group | | Company | |
|---|---|---|---|---|
| | **At 2 July 2023** | At 3 July 2022 | **At 2 July 2023** | At 3 July 2022 |
| Loans owed to parent undertakings | **5.4 %** | 6.5 % | **6.5 %** | 6.5 % |
| Loans owed to Group undertakings | **0.0 %** | 0.0 % | **6.0 %** | 6.0 % |

**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 20 to 25) 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, commodity price 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, using forward exchange contracts for inventory purchases and fuel commodity swaps to hedge against the risk of the change in the price of diesel.

The Board of Directors of Brake Bros Limited have the responsibility for setting the risk management policies, in compliance with Sysco Corporation risk management policies, applied by the Brake Bros Limited Group of companies. The policies are implemented by the central Group 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.

*(1) Foreign currency exchange risk*

The Group is exposed to foreign exchange risks primarily with respect to the Euro and Swedish Krona although 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.

The Group's operations in the UK and Sweden have inventory purchases denominated in currencies other than their functional currency, such as the Euro and Danish Krone. These inventory purchases give rise to foreign currency exposure between the functional currency of each entity and these currencies. The Group enters into foreign currency forward swap contracts to sell the applicable entity's functional currency and buy currencies matching the inventory purchase, which operate as cash flow hedges of the Group's foreign currency-denominated inventory purchases.

*(2) Interest rate risk*

The Group has both interest bearing assets and interest bearing liabilities. Interest rate risk is not considered material for the Group.

*(3) 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.

*(4) Liquidity risk*

The Group's funding is derived from borrowings and amounts funded from parent and Group undertakings that are designed to ensure the Group has sufficient available funds for operations and planned expansions. The Group also has access to intercompany funding from parent entities, whom have access to an external Revolving Credit Facility of $US3000m amongst other facilities. The Group also participates in a cash pooling arrangement with other Sysco Group entities providing additional sources of local liquidity as and when required.

*(5) Commodity price risk*

The Group is exposed to commodity price risk primarily with respect to diesel purchases. 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 diesel fuel commodity swaps to hedge against future price changes. During the period the Group entered into a number of fuel commodity swaps to hedge against the risk of the change in the price of diesel on anticipated future purchases (see note 16(c) for further details).

## Notes to the financial statements

**16. Financial instruments (continued)**

**Maturity of financial liabilities**

The table below analyses the Group and Company'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.

| **Group** | **Less than one year** | **Between one and two years** | **Between two and five years** | **Over five years** |
|---|---|---|---|---|
| | **£m** | **£m** | **£m** | **£m** |
| Borrowings - including interest payments | **118.5** | **-** | **90.7** | |
| Lease Obligations | **48.3** | **46.5** | **114.1** | **205.9** |
| **As at 2 July 2023** | **166.8** | **46.5** | **204.8** | **205.9** |

| Group | Less than one year | Between one and two years | Between two and five years | Over five years |
|---|---|---|---|---|
| | £m | £m | £m | £m |
| Borrowings - including interest payments | 120.3 | - | - | |
| Lease Obligations | 53.8 | 41.3 | 108.1 | 203.8 |
| Trade and other payables excluding statutory liabilities | - | - | - | - |
| As at 3 July 2022 | 174.1 | 41.3 | 108.1 | 203.8 |

| **Company** | **Less than one year** | **Between one and two years** | **Between two and five years** | **Over five years** |
|---|---|---|---|---|
| | **£m** | **£m** | **£m** | **£m** |
| Borrowings - including interest payments | **250.6** | **-** | **-** | **-** |
| Lease Obligations | **17.5** | **17.1** | **45.9** | **130.7** |
| Trade and other payables excluding statutory liabilities | **-** | **-** | **-** | **-** |
| **As at 2 July 2023** | **268.1** | **17.1** | **45.9** | **130.7** |

| Company | Less than one year | Between one and two years | Between two and five years | Over five years |
|---|---|---|---|---|
| | £m | £m | £m | £m |
| Borrowings - including interest payments | 252.4 | - | - | - |
| Lease Obligations | 19.2 | 14.9 | 41.7 | 135.8 |
| Trade and other payables excluding statutory liabilities | - | - | - | - |
| As at 3 July 2022 | 271.6 | 14.9 | 41.7 | 135.8 |

**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, Sysco Corporation. 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 (b) Financial instruments - by category**

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

| | **At 2 July 2023** | At 3 July 2022 |
|---|---|---|
| | **Loans and receivables** | Loans and receivables |
| **Group** | **£m** | £m |
| **Assets as per statement of financial position** | | |
| Trade and other receivables | **939.6** | 849.7 |
| Derivative financial instruments | **0.5** | 6.2 |
| Cash and cash equivalents | **63.1** | 53.7 |
| | **1,003.2** | 909.6 |

## Notes to the financial statements

**16. Financial Instruments (continued)**

| Group | At 2 July 2023 Liabilities at fair value through the profit and loss | Other financial liabilities | Total | At 3 July 2022 Liabilities at fair value through the profit and loss | Other financial liabilities | Total |
|---|---|---|---|---|---|---|
| | £m | £m | £m | £m | £m | £m |
| **Liabilities as per statement of financial position** | | | | | | |
| Financial Liabilities - Borrowings | - | 525.6 | 525.6 | - | 456.4 | 456.4 |
| Derivative financial instruments | - | 2.5 | 2.5 | - | - | - |
| Trade and other payables excluding statutory liabilities | - | 1,182.2 | 1,182.2 | - | 1,082.1 | 1,082.1 |
| | - | 1,710.3 | 1,710.3 | - | 1,538.5 | 1,538.5 |

| Company | At 2 July 2023 *Loans and* receivables | At 3 July 2022 *Loans and* receivables |
|---|---|---|
| | £m | £m |
| **Assets as per statement of financial position** | | |
| Trade and other receivables | 676.5 | 610.9 |
| Derivative financial instruments | - | 4.2 |
| Cash and cash equivalents | 24.0 | 10.9 |
| | 700.5 | 626.0 |

| Company | At 2 July 2023 Liabilities at fair value through the profit and loss | Other financial liabilities | Total | At 3 July 2022 Liabilities at fair value through the profit and loss | Other financial liabilities | Total |
|---|---|---|---|---|---|---|
| | £m | £m | £m | £m | £m | £m |
| **Liabilities as per statement of financial position** | | | | | | |
| Financial Liabilities - Borrowings | - | 415.1 | 415.1 | - | 417.9 | 417.9 |
| Derivative financial instruments | - | 1.5 | 1.5 | - | - | - |
| Trade and other payables excluding statutory liabilities | - | 781.0 | 781.0 | - | 667.4 | 667.4 |
| | - | 1,197.6 | 1,197.6 | - | 1,085.3 | 1,085.3 |

**16 (c). Financial Instruments - numerical disclosures**

**Fair value estimation**

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

## Notes to the financial statements

### 16. Financial instruments (continued)

The following table presents the Group and Company's assets and liabilities that are measured at fair value at 2 July 2023:

| Group | Level 1 £m | Level 2 £m | Level 3 £m | Total £m |
|---|---|---|---|---|
| **Asset** | | | | |
| Forward foreign currency contracts | - | 0.5 | - | 0.5 |
| **Liability** | | | | |
| Forward foreign currency contracts | - | (0.4) | - | (0.4) |
| Cash flow hedges | - | (2.1) | - | (2.1) |
| | - | (2.0) | - | (2.0) |
| **Company** | | | | |
| **Liability** | | | | |
| Cash flow hedges | - | (1.5) | - | (1.5) |
| | - | (1.5) | - | (1.5) |

The following table presents the Group and Company's assets and liabilities that are measured at fair value at 3 July 2022:

| Group | Level 1 £m | Level 2 £m | Level 3 £m | Total £m |
|---|---|---|---|---|
| **Asset** | | | | |
| Forward foreign currency contracts | - | 0.4 | - | 0.4 |
| Cash flow hedges | - | 5.8 | - | 5.8 |
| | - | 6.2 | - | 6.2 |
| **Company** | | | | |
| **Asset** | | | | |
| Cash flow hedges | - | 4.2 | - | 4.2 |
| | - | 4.2 | - | 4.2 |

The Group and Company does not have any financial instruments that are traded in active markets.

For all other financial instruments fair value is determined by using valuation techniques. Valuation techniques include net present value techniques, the discounted cash flow method, comparison to similar instruments for which market observable prices exist, and valuation models. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

**Carrying values of derivative financial instruments**

| | At 2 July 2023 | | At 3 July 2022 | |
|---|---|---|---|---|
| | Assets | Liabilities | Assets | Liabilities |
| **Group** | £m | £m | £m | £m |
| Forward foreign currency contracts | 0.5 | (0.4) | 0.4 | - |
| Cash flow hedges | - | (2.1) | 5.8 | - |
| **Total current portion** | 0.5 | (2.5) | 6.2 | - |

| | At 2 July 2023 | | At 3 July 2022 | |
|---|---|---|---|---|
| | Assets | Liabilities | Assets | Liabilities |
| **Company** | £m | £m | £m | £m |
| Cash flow hedges | - | (1.5) | 4.2 | - |
| **Total current portion** | - | (1.5) | 4.2 | - |

**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.

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

| | At 2 July 2023 | | At 3 July 2022 | |
|---|---|---|---|---|
| | Book value | Fair Value | Book value | Fair value |
| **Group** | £m | £m | £m | £m |
| Primary financial instruments held or issued to finance the Group's operations: | | | | |
| Short term financial liabilities and current portion of long term borrowings | (157.9) | (157.9) | (164.5) | (164.5) |
| Other long term borrowings | (367.7) | (367.7) | (291.9) | (291.9) |
| Trade and other payables | (1,216.0) | (1,216.0) | (1,109.3) | (1,109.3) |
| Trade and other receivables | 939.6 | 939.6 | 849.7 | 849.7 |
| Cash and cash equivalents | 63.1 | 63.1 | 53.7 | 53.7 |
| Retirement benefit obligations | (79.3) | (79.3) | (38.2) | (38.2) |

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.

## Notes to the financial statements

### 16. Financial instruments (continued)

The book values of trade and other receivables, trade and other payables, cash and cash equivalents and retirement benefit obligations are assumed to approximate to their fair values.

*Other fair values shown above have been estimated using valuation method level 3 by discounting cash flows at prevailing interest rates.*

| | At 2 July 2023 | | At 3 July 2022 | |
|---|---|---|---|---|
| | **Book value** | **Fair value** | Book value | Fair value |
| **Company** | **£m** | **£m** | £m | £m |
| Primary financial instruments held or issued to finance the Group's operations: | | | | |
| Short term financial liabilities and current portion of long term borrowings | **(262.7)** | **(262.7)** | (266.7) | (266.7) |
| Other long term borrowings | **(152.4)** | **(152.4)** | (151.2) | (151.2) |
| Trade and other payables | **(788.8)** | **(788.8)** | (675.1) | (675.1) |
| Trade and other receivables | **676.6** | **676.6** | 610.9 | 610.9 |
| Cash and cash equivalents | **24.0** | **24.0** | 10.9 | 10.9 |
| Retirement benefit (obligations) / assets | **(41.5)** | **(41.5)** | 4.2 | 4.2 |

**Borrowing facilities**

The Group headed by Brake Bros Limited has no undrawn committed borrowing facilities available at 2 July 2023 (2022: £nil).

### 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 | | Company | |
|---|---|---|---|---|
| | **At 2 July 2023** | At 3 July 2022 | **At 2 July 2023** | At 3 July 2022 |
| | **£m** | £m | **£m** | £m |
| Low risk | **296.1** | 297.2 | **200.3** | 180.9 |
| Medium risk | **42.4** | 32.6 | **-** | - |
| High risk | **26.0** | 36.4 | **-** | - |
| Total trade receivables | **364.5** | 366.2 | **200.3** | 180.9 |

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

| | *Group* | | *Company* | |
|---|---|---|---|---|
| | **At 2 July 2023** | At 3 July 2022 | **At 2 July 2023** | At 3 July 2022 |
| | **£m** | £m | **£m** | £m |
| Cash at bank and short term deposits | | | | |
| AA- | **0.3** | 0.9 | **-** | - |
| A+ | **48.9** | 30.8 | **24.0** | - |
| A | **4.9** | 18.7 | **-** | 10.9 |
| A- | **-** | 1.5 | **-** | - |
| BBB+ | **8.9** | - | **-** | - |
| BBB- | **-** | 0.5 | **-** | - |
| BBB | **0.1** | 1.3 | **-** | - |
| | **63.1** | 53.7 | **24.0** | 10.9 |

## Notes to the financial statements

### 17. Retirement benefit obligations / (assets)

The Group operates a number of pension schemes for its UK employees; the assets of all schemes being held in separate trustee administered funds. The pension schemes are operated by the Company. In addition, in France and Sweden the Group is liable for certain post employment benefits which meet the criteria of a defined benefit plan and these obligations are of an unfunded nature. The UK pension schemes are operated by Brake Bros Limited and are as follows:

(i) The Brakes Final Salary Pension Scheme was closed to existing employees at 31 December 2003. No further benefits are accruing to members subsequent to this date. The scheme is a funded defined benefit pension plan.

The scheme is administered by a separate board of trustees which is legally separate from Brake Bros Limited. The trustees are composed of representatives of both the employer and the members and an independent trustee. The trustees are required by law to act in the interest of all relevant beneficiaries and are responsible for the investment policy with regard to the assets plus the day to day administration of the benefits.

Under the scheme, members are entitled to defined annual pensions on retirement at normal retirement age (typically age 63 or age 65). Benefits are also payable on death and following other events such as early retirement.

Brakes Final Salary Pension Scheme retirement benefit obligations up to a maximum amount of £20.0m (2022: £20.0m) are secured by way of a charge over certain property, plant and equipment of the Group. In addition, the Scheme obligations are guaranteed by Brake Bros Foodservice Limited up to a maximum amount of £100m.

Further details on the profile of the scheme, its funding requirements and risks associated with the scheme are explained later in this note.

(ii) The Brakes Group Personal Pension Plan was opened on 1 April 2013 and is a qualifying workplace pension scheme that the Group is using to meet the automatic enrolment legislative requirements. It is contracted into the state pension scheme and for auto-enrolment members the contribution rates are 5% of pensionable salary for members and 3% for employers and for elected members has contribution rates of 5% of pensionable salary for members and from 4% for employers, with higher employers contributions for managers. Funds are invested with Legal & General Investment Management.

(iii) The Brakes Money Purchase Pension Plan closed on 31 March 2015 with all existing members auto-enrolled into the Brakes Group Personal Pension Plan. Minimum contribution rates for ex-members of the Brakes Money Purchase Pension Plan are 3% of pensionable salary for members and 4% for employers, with higher employers contributions for managers.

In Sweden, the subsidiary company Menigo Foodservice AB, provides employees with defined benefit and defined contribution pension schemes. The majority of the arrangements are provided in accordance with the ITP plan (supplementary pension for industrial salaried employees). The Group's employees in Sweden are provided with ITP retirement benefits via an unfunded defined benefit plan. For certain salaried employees, the ITP pensions are secured through the insurance company Alecta. The plan is reported as a defined contribution plan with the premiums paid reflecting the pension cost.

In France, for the subsidiary companies Sysco France SAS, all employees are provided retirement indemnity benefits (Indemnitéde Départ en Retraite "IDR"). These are unfunded arrangements that provides retirement benefits based on service and salary, with different level of benefits depending on employees' position and grade.

The amounts recognised in the statement of financial position for defined benefit plans are set out below:

| | Group | | Company | |
|---|---|---|---|---|
| | **At 2 July 2023** | At 3 July 2022 | **At 2 July 2023** | At 3 July 2022 |
| | **£m** | £m | **£m** | £m |
| Present value of funded obligations | **187.6** | 195.5 | **187.6** | 195.5 |
| Present value of unfunded obligations | **37.8** | 42.4 | **-** | - |
| Fair value of plan assets | **(146.1)** | (199.7) | **(146.1)** | (199.7) |
| Net pension liability / (asset) recognised in the statement of financial position | **79.3** | 38.2 | **41.5** | (4.2) |

## Notes to the financial statements

**17. Retirement benefit obligations / (assets) (continued)**

The movement in the retirement benefit obligation / (asset) during the year is as follows:

| | UK | France | Sweden | Total Group For the year ended 2 July 2023 | Company For the year ended 2 July 2023 |
|---|---|---|---|---|---|
| **Retirement benefit obligations / (assets)** | £m | £m | £m | **£m** | **£m** |
| At 3 July 2022 | (4.2) | 15.5 | 26.9 | **38.2** | **(4.2)** |
| Exchange adjustment | - | 0.8 | (1.2) | **(0.4)** | **-** |
| Interest (income) / expense | (0.4) | 0.5 | 0.9 | **1.0** | **(0.4)** |
| Administrative expenses | 0.2 | - | - | **0.2** | **0.2** |
| Current service cost | - | 1.1 | 1.0 | **2.1** | **-** |
| Prior service cost | - | (1.1) | - | **(1.1)** | **-** |
| Contributions paid in the year | (15.6) | (0.6) | (0.8) | **(17.0)** | **(15.6)** |
| Actuarial (gains) / losses on defined benefit pension | 61.4 | (0.3) | (4.8) | **56.3** | **61.4** |
| **At 2 July 2023** | **41.4** | **15.9** | **22.0** | **79.3** | **41.4** |

| | UK | France | Sweden | Total Group For the year ended 3 July 2022 | Company For the year ended 3 July 2022 |
|---|---|---|---|---|---|
| **Retirement benefit obligations / (assets)** | £m | £m | £m | **£m** | **£m** |
| At 4 July 2021 | 30.3 | 21.9 | 32.0 | **84.2** | **30.3** |
| Exchange adjustment | - | (0.1) | (0.3) | **(0.4)** | **-** |
| Interest expense | 0.5 | 0.1 | 0.6 | **1.2** | **0.5** |
| Administrative expenses | 0.3 | - | - | **0.3** | **0.3** |
| Current service cost | - | 1.5 | 1.0 | **2.5** | **-** |
| Prior service cost | - | - | - | **-** | **-** |
| Contributions paid in the year | (14.7) | (0.6) | (0.8) | **(16.1)** | **(14.7)** |
| Actuarial gains on defined benefit pension scheme | (20.6) | (7.3) | (5.6) | **(33.5)** | **(20.6)** |
| **At 3 July 2022** | **(4.2)** | **15.5** | **26.9** | **38.2** | **(4.2)** |

The amounts recognised in the income statement and other comprehensive income for defined benefit plans are set out below:

| | UK | France | Sweden | Total Group For the year ended 2 July 2023 | Company For the year ended 2 July 2023 |
|---|---|---|---|---|---|
| **Retirement benefit obligations** | £m | £m | £m | **£m** | **£m** |
| **Operating cost** | | | | | |
| Service costs: | | | | | |
| - Current service cost | - | 1.1 | 1.0 | **2.1** | **-** |
| - Prior service cost | - | (1.1) | - | **(1.1)** | **-** |
| - Administrative expenses | 0.3 | - | - | **0.3** | **0.3** |
| Total operating costs | 0.3 | - | 1.0 | **1.3** | **0.3** |
| **Financing cost** | | | | | |
| Interest (income) / expense | (0.4) | 0.5 | 0.9 | **1.0** | **(0.4)** |
| **Total income statement (income) / expense** | **(0.1)** | **0.5** | **1.9** | **2.3** | **(0.1)** |
| **Remeasurements recognised in other comprehensive income** | | | | | |
| - losses from changes in demographic assumptions | 4.9 | 0.3 | - | **5.2** | **4.9** |
| - (gains) / losses from changes in financial assumptions | (32.0) | 0.3 | (4.9) | **(36.6)** | **(32.0)** |
| - experience (gains) / losses | 21.2 | (0.9) | - | **20.3** | **21.2** |
| - return on scheme assets | 67.4 | - | - | **67.4** | **67.4** |
| **Total amount recognised in other comprehensive (expense) / income** | **61.5** | **(0.3)** | **(4.9)** | **56.3** | **61.5** |

## Notes to the financial statements

**17. Retirement benefit obligations / (assets) (continued)**

| | UK | France | Sweden | **Total Group** | **Company** |
|---|---|---|---|---|---|
| | | | | **For the year ended 3 July 2022** | **For the year ended 3 July 2022** |
| Retirement benefit obligations | £m | £m | £m | **£m** | **£m** |
| Operating cost | | | | | |
| Service costs: | | | | | |
| - Current service cost | - | 1.5 | 1.0 | 2.5 | - |
| - Administrative expenses | 0.3 | - | - | 0.3 | 0.3 |
| Total operating costs | 0.3 | 1.5 | 1.0 | 2.8 | 0.3 |
| Financing cost | | | | | |
| Interest expense | 0.5 | 0.1 | 0.6 | 1.2 | 0.5 |
| Total income statement charge | 0.8 | 1.6 | 1.6 | 4.0 | 0.8 |
| **Remeasurements recognised in other comprehensive income** | | | | | |
| - (gains) / losses from changes in demographic assumptions | (0.1) | (4.1) | - | (4.2) | (0.1) |
| - (gains) / losses from changes in financial assumptions | (63.8) | (3.2) | (5.6) | (72.6) | (63.8) |
| - experience gains | 2.4 | - | - | 2.4 | 2.4 |
| - return on scheme assets | 40.9 | (1.1) | (1.1) | 38.7 | 40.9 |
| Total amount recognised in other comprehensive income | (20.6) | (8.4) | (6.7) | (35.7) | (20.6) |

The amounts recognised in the income statement for defined contribution plans are set out below:

| | Group | | Company | |
|---|---|---|---|---|
| | **For the year ended 2 July 2023** | For the year ended 3 July 2022 | **For the year ended 2 July 2023** | For the year ended 3 July 2022 |
| | **£m** | £m | **£m** | £m |
| Defined contribution schemes | **9.6** | 12.2 | **6.5** | 9.0 |

**Reporting at 2 July 2023**

The independent actuary calculates the defined benefit obligation annually by adjusting the results of the latest triennial funding valuation at 5 April 2022 to the statement of financial position date, taking account of experience over the period since 5 April 2022, changes in market conditions, and differences in the financial and demographic assumptions. The present value of the defined benefit obligation is measured using the projected unit credit method. The principal financial and demographic assumptions used to calculate liabilities for the year ended 2 July 2023 are set out below.

| | **At 2 July 2023** | At 3 July 2022 |
|---|---|---|
| Financial assumptions | % | % |
| *UK assumptions:* | | |
| Rate of increase in pensions in payment and deferred pensions | **2.90** | 2.75 |
| Discount rate | **5.20** | 3.65 |
| Inflation assumption RPI | **3.00** | 2.80 |
| Inflation assumption CPI | **2.45** | 2.10 |
| *France assumptions:* | | |
| Discount rate | **3.50** | 3.25 |
| Salary increase | **2.75** | 2.75 |
| Inflation | **2.10** | 2.10 |
| *Sweden assumptions:* | | |
| Discount rate | **4.25** | 3.75 |
| Salary increase | **2.40** | 3.40 |
| Inflation | **1.70** | 2.70 |

**Demographic assumptions**

Mortality rate UK assumptions:

The mortality assumptions are based on the recent actual mortality experience of Scheme pensioners and a socio-economic analysis of the Scheme membership, and allow for expected future improvements in mortality rates.

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:

| | **At 2 July 2023** | At 3 July 2022 |
|---|---|---|
| Male | **21.3** | 21.6 |
| Female | **23.5** | 23.8 |

**17. Retirement benefit assets / obligations (continued)**

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:

| | At 2 July 2023 | At 3 July 2022 |
|---|---|---|
| Male | **21.7** | 22.0 |
| Female | **24.3** | 24.7 |

*Sensitivity to key assumptions*

The key assumptions used for IAS 19 are: discount rate, inflation and mortality. If different assumptions were used in the UK, this could have a material effect on the results disclosed. The sensitivity of the retirement benefit obligation to these assumptions is as follows.

- Following a 0.2% pa decrease in the discount rate the net deficit would increase by £4.3m to a net deficit of £45.9m.
- Following a 1 year increase in life expectancy the net deficit would increase by £5.2m to a net deficit of £46.7m.

The sensitivity information shown above has been prepared using the same method as adopted when adjusting the results of the latest funding valuation to the balance sheet date. This is the same approach as has been adopted in previous periods.

Analysis of movement in present value of retirement benefit obligations during the year is as follows:

| | UK (funded obligations) | France (unfunded obligations) | Sweden (unfunded obligations) | **Total Group** For the year ended 2 July 2023 | **Company** For the year ended 2 July 2023 |
|---|---|---|---|---|---|
| | £m | £m | £m | £m | £m |
| At 3 July 2022 | 195.5 | 15.5 | 26.9 | **237.9** | **195.5** |
| Exchange adjustment | - | 0.8 | (1.2) | **(0.4)** | **-** |
| Interest expense | 7.0 | 0.5 | 0.9 | **8.4** | **7.0** |
| *Remeasurements:* | | | | | |
| - losses from changes in demographic assumptions | 4.9 | 0.3 | - | **5.2** | **4.9** |
| - losses / (gains) from changes in financial assumptions | (32.0) | 0.3 | (4.8) | **(36.5)** | **(32.0)** |
| - experience (gains) / losses | 21.2 | (0.9) | - | **20.3** | **21.2** |
| Contributions paid by employer | - | (0.6) | (0.8) | **(1.4)** | **-** |
| Current service cost | - | 1.1 | 1.0 | **2.1** | **-** |
| Prior service cost | - | (1.1) | - | **(1.1)** | **-** |
| Benefits paid | (9.0) | - | - | **(9.0)** | **(9.0)** |
| **At 2 July 2023** | **187.6** | **15.9** | **22.0** | **225.5** | **187.6** |

Analysis of movement in present value of retirement benefit obligations during the prior period is as follows:

| | UK (funded obligations) | France (unfunded obligations) | Sweden (unfunded obligations) | **Total Group** For the year ended 3 July 2022 | **Company** For the year ended 3 July 2022 |
|---|---|---|---|---|---|
| | £m | £m | £m | £m | £m |
| At 4 July 2021 | 261.2 | 21.9 | 32.0 | 315.1 | 261.2 |
| Exchange adjustment | - | (0.1) | (0.3) | (0.4) | - |
| Interest expense | 4.9 | 0.1 | 0.6 | 5.6 | 4.9 |
| *Remeasurements:* | | | | | |
| - gains from changes in demographic assumptions | (0.1) | (4.1) | - | (4.2) | (0.1) |
| - gains from changes in financial assumptions | (63.8) | (3.2) | (5.6) | (72.6) | (63.8) |
| - experience losses | 2.4 | - | - | 2.4 | 2.4 |
| Contributions paid by employer | - | (0.6) | (0.8) | (1.4) | - |
| Current service cost | - | 1.5 | 1.0 | 2.5 | - |
| Benefits paid | (9.1) | - | - | (9.1) | (9.1) |
| At 3 July 2022 | 195.5 | 15.5 | 26.9 | 237.9 | 195.5 |

Analysis of movement in fair value of scheme assets during the year is as follows:

| | **Group** | | **Company** | |
|---|---|---|---|---|
| | **For the year ended 2 July 2023** | For the year ended 3 July 2022 | **For the year ended 2 July 2023** | For the year ended 3 July 2022 |
| | **£m** | £m | **£m** | £m |
| At 3 July 2022 / 4 July 2021 | **199.7** | 230.9 | **199.7** | 230.9 |
| Interest income on scheme assets | **7.4** | 4.4 | **7.4** | 4.4 |
| Remeasurements: | | | | |
| - return on scheme assets | **(67.4)** | (40.9) | **(67.4)** | (40.9) |
| Administrative expenses | **(0.3)** | (0.3) | **(0.3)** | (0.3) |
| Contributions paid by employer | **15.6** | 14.7 | **15.6** | 14.7 |
| Benefits paid | **(8.9)** | (9.1) | **(8.9)** | (9.1) |
| At 2 July 2023 / At 3 July 2022 | **146.1** | 199.7 | **146.1** | 199.7 |

## Notes to the financial statements

**17. Retirement benefit assets / obligations (continued)**

| | **Group and Company** | | Group and Company | |
|---|---|---|---|---|
| | **For the year ended 2 July 2023** | **Of which not quoted in an active market** | For the year ended 3 July 2022 | Of which not quoted in an active market |
| | **£m** | **£m** | £m | £m |
| Equities | **35.1** | **16.3** | 19.4 | 18.0 |
| Property | **10.7** | **10.7** | 12.3 | 12.3 |
| Macro orientated | **-** | **-** | 5.9 | - |
| Bonds | **32.3** | **4.2** | 108.5 | - |
| Other | **1.0** | **1.0** | - | - |
| Derivatives | **66.6** | **-** | (21.2) | (20.2) |
| Cash and cash equivalents | **0.4** | **-** | 74.8 | - |
| At 2 July 2023 / At 3 July 2022 | **146.1** | **32.2** | 199.7 | 10.1 |

Further details on the Brakes Final Salary Pension Scheme

*Profile of the scheme*

The defined benefit obligation includes benefits for deferred and current pensioners. Broadly, about 54% of the liabilities are attributable to deferred pensioners and 46% to current pensioners.

The scheme duration is an indicator of the weighted-average time until benefit payments are made. For the scheme as a whole, the duration is around 14 years reflecting the approximate split of the defined benefit obligation between deferred pensioners (duration of 17 years) and current pensioners (duration of 10 years).

The table below illustrates the profile of projected future benefit payments from the scheme.

*Expected maturity analysis of undiscounted pension benefits*

| At 2 July 2023 | Less than one year | Between one and two years | Between two and five years | Over five years |
|---|---|---|---|---|
| Pension benefits | 2 % | 2 % | 6 % | 90 % |
| At 3 July 2022 | | | | |
| Pension benefits | 2 % | 2 % | 6 % | 90 % |

*Funding requirements*

UK legislation requires that pension schemes are funded prudently. The last funding valuation of the Scheme was carried out by a qualified actuary as at 5 April 2022 and showed a deficit of £75.6 million. The Company is currently paying deficit contributions of £15.3m p.a. net of administration expenses payable monthly which took effect from July 2021 (paid in August 2021) until September 2027, which were expected to make good this shortfall by September 2027. The next funding valuation will be carried out with an effective date of 5 April 2025 when progress towards full funding will be reviewed. The Company pays contributions of £0.3m p.a. in respect of the expenses of administering the Scheme. A total gross contribution of £15.6m is expected to be paid by the Company during the year ending on 30 June 2024.

Risks associated with the scheme

| | |
|---|---|
| Asset volatility | The liabilities are calculated using a discount rate set with reference to corporate bond yields; if assets underperform this yield, this will create a deficit. The Scheme holds a significant proportion of growth assets (equities, high yield bonds, property and alternatives) which, though expected to outperform corporate bonds in the long-term, create volatility and risk in the short-term. The allocation to growth assets is monitored to ensure it remains appropriate given the Scheme's long-term objectives. |
| Changes in bond yields | A decrease in corporate bond yields will increase the value placed on the Scheme's liabilities for accounting purposes, although this will be partially offset by an increase in the value of the Scheme's interest rate matching assets. The Scheme's investment strategy is to hedge interest rate risk although it is not intended to be precisely hedged compared to the accounting value of liabilities, meaning that changes in future expected interest rates may change the accounting deficit. |
| Inflation risk | A significant proportion of the Scheme's benefit obligations are linked to inflation and higher inflation will lead to higher liabilities (although, in most cases, caps on the level of inflationary increases are in place to protect against extreme inflation), although this will be partially offset by an increase in the value of the Scheme's inflation matching assets. The Scheme's investment strategy is to hedge inflation risk although it is not intended to be precisely hedged compared to the accounting value of liabilities, meaning that changes in future expected inflation may change the accounting deficit. |
| Life expectancy | The majority of the scheme's obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the liabilities. |

The Group and Trustees have agreed a long-term strategy for reducing investment risk as and when appropriate. This includes diversification of growth assets to reduce volatility and an asset-liability matching policy which aims to reduce the volatility of the funding level of the pension plan by investing in assets such as swaps which perform in line with the liabilities of the plan so as to protect against inflation being higher than expected or market yields being lower than expected.

## Notes to the financial statements

**17. Retirement benefit assets / obligations (continued)**

On 26 October 2018 the High Court of Justice in the United Kingdom issued a ruling requiring the equalisation of benefits payable in respect of Guaranteed Minimum Pension benefits for males. For both the Group and the Company the impact of this ruling will be to increase the defined benefit obligation of the Brakes Final Salary Pension Scheme. Current estimates by the independent actuary estimate the impact of the Guaranteed Minimum Pension uplift to be immaterial for Brake Bros Limited.

Group actuarial losses of £56.3m (year ended 3 July 2022: £33.5m gain) were recognised in the period and included in the consolidated statement of comprehensive expense / income. The cumulative amount of actuarial losses included in the consolidated statement of comprehensive income is £88.3m (3 July 2022: £32.0m).

The actual loss on plan assets was £67.4m (2022: £40.9m loss).

**18. Provisions**

| | Group | | Company | |
|---|---|---|---|---|
| | **For the year ended 2 July 2023** | For the year ended 3 July 2022 | **For the year ended 2 July 2023** | For the year ended 3 July 2022 |
| **Property and other provisions** | **£m** | £m | **£m** | £m |
| At 3 July 2022 / 4 July 2021 | **46.1** | 37.6 | **32.8** | 26.8 |
| Earn-out consideration on acquisition of subsidiaries | **0.6** | 5.2 | **0.6** | 5.2 |
| Charged / (credited) to the income statement during the year | **(0.6)** | 5.2 | **0.1** | - |
| Provisions for property, plant and equipment additions during the year | **0.7** | 2.6 | **0.7** | 2.6 |
| Utilised during the year | (2.4) | (4.5) | **(1.2)** | (1.7) |
| **At 2 July 2023 / 3 July 2022** | **44.4** | 46.1 | **33.0** | 32.9 |
| Non-current | **36.5** | 43.8 | **26.3** | 31.7 |
| Current | **7.9** | 2.3 | **6.9** | 1.2 |
| | **44.4** | 46.1 | **33.2** | 32.8 |

At 2 July 2023 there were provisions relating to onerous contracts amounting to £2.7m (2022: £5.2m), earn out amounting to £5.8m (2022: £5.4m) and dilapidation provisions amounting to £35.9m (2022: £35.5m). Provisions for dilapidations primarily represent obligations to reinstate property to its original condition at the end of the lease term. Earn-out consideration in respect of acquisitions were also included, payment of this consideration is dependent upon certain trading performance targets being met.

**19. Deferred tax**

The following are the major deferred tax assets and liabilities recognised by the Group and movements thereon during the current and prior year:

| | Retirement benefit obligations | Cash flow hedge | Capital allowances timing differences | Tax losses | Customer lists and brands | Property, plant and equipment fair value adjustments | Other temporary differences | Total |
|---|---|---|---|---|---|---|---|---|
| **Group** | £m | £m | £m | £m | £m | £m | £m | £m |
| **At 4 July 2021** | 14.8 | (0.2) | 44.1 | 109.9 | (5.7) | (1.1) | 2.3 | 164.1 |
| Exchange adjustment | (0.2) | - | (0.1) | 0.3 | - | - | 0.1 | 0.1 |
| Other movements | - | - | - | (1.1) | (1.6) | - | (0.2) | (2.9) |
| Charged to other comprehensive income in the year | (5.9) | (0.8) | - | - | - | - | - | (6.7) |
| At Credited / (charged) to the income statement in the year | (4.1) | - | 0.1 | 9.4 | 1.5 | 0.2 | (1.4) | 5.7 |
| **At 3 July 2022** | 4.6 | (1.0) | 44.1 | 118.5 | (5.8) | (0.9) | 0.8 | 160.3 |
| Exchange adjustment | (0.3) | - | 0.1 | 0.1 | (0.1) | (0.1) | 0.2 | (0.1) |
| Other movements | - | - | - | - | 0.2 | - | (0.1) | 0.1 |
| Credited to other comprehensive income in the year | 14.4 | 1.1 | - | - | - | - | - | 15.5 |
| At Credited / (charged) to the income statement in the year | (4.3) | - | (12.9) | 30.5 | (0.8) | 0.1 | (1.3) | 11.3 |
| **At 2 July 2023** | 14.4 | **0.1** | **31.3** | **149.1** | **(6.5)** | **(0.9)** | **(0.4)** | **187.1** |

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. The following is the analysis of the deferred tax balances for the Group (after offset) for financial reporting purposes.

| | **At 2 July 2023** | At 3 July 2022 |
|---|---|---|
| | **£m** | £m |
| Deferred tax assets | **195.4** | 168.1 |
| Deferred tax liabilities | **(8.3)** | (7.8) |
| | **187.1** | 160.3 |

## Notes to the financial statements

**19. Deferred tax (continued)**

| Company | Retirement benefit obligations £m | Cash flow hedge £m | Capital allowances timing differences £m | Tax losses £m | Customer lists and brands £m | Property, plant and equipment fair value adjustments £m | Other temporary differences £m | Total £m |
|---|---|---|---|---|---|---|---|---|
| **At 4 July 2021** | 5.7 | - | 44.8 | 13.2 | (0.2) | (0.7) | 1.4 | 64.2 |
| Tax credit on retirement benefit obligations taken directly to other comprehensive income | (3.9) | - | - | - | - | - | - | (3.9) |
| Tax credit on cash flow hedges taken directly to other comprehensive income | - | (0.8) | - | - | - | - | - | (0.8) |
| Other movements | - | - | - | (1.1) | - | - | - | (1.1) |
| Credited / (charged) to the income statement in the year | (2.6) | - | (1.5) | (0.2) | 0.1 | - | - | (4.2) |
| **At 3 July 2022** | **(0.8)** | **(0.8)** | **43.3** | **11.9** | **(0.1)** | **(0.7)** | **1.4** | **54.2** |
| Tax charge on retirement benefit obligations taken directly to other comprehensive income | 15.4 | - | | - | - | - | - | 15.4 |
| Tax charge on cash flow hedges taken directly to other comprehensive income | - | 0.9 | - | - | - | - | - | 0.9 |
| Credited / (charged) to the income statement in the year | (4.0) | - | (9.1) | 15.2 | (0.2) | 0.1 | - | 2.2 |
| **At 2 July 2023** | **10.6** | **0.1** | **34.2** | **27.2** | **(0.3)** | **(0.6)** | **1.5** | **72.7** |

A deferred tax asset of £149.1m (2022: £118.5m) is 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. 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 £149.1m (2022: £118.5m) in income taxes in the consolidated income statement. There are no unrecognised deferred tax assets in respect of unutilised tax losses in the UK and Sweden (2022: £nil). There are unrecognised deferred tax assets in respect of unutilised tax losses in France amounting to £9.8m (2022: £13.5m). There is no expiry date for these losses.

***20. Share capital***

| **Group and Company** | | **At 2 July 2023 £m** | At 3 July 2022 £m |
|---|---|---|---|
| Authorised | | | |
| 54,000,000 (2021: 54,000,000) ordinary shares of 10p | | **5.4** | 5.4 |
| Issued and fully paid | Ordinary shares paid of 10p each | **£m** | **£m** |
| **At 2 July 2023 / 3 July 2022** | 53,776,541 | **5.4** | 5.4 |

**21. Share premium**

| ***Group and Company*** | **At 2 July 2023 *£m*** | At 3 July 2022 *£m* |
|---|---|---|
| **At 2 July 2023 / 3 July 2022** | **288.6** | 288.6 |

## Notes to the financial statements

### 22. Reserves

| | | Other reserves: | | | | | |
|---|---|---|---|---|---|---|---|
| | Hedging | Business comb. under common control | Other reserves | Capital contribution | Total other reserves | Retained earnings | Total |
| **Group - attributable to owners of the parent Company** | £m | £m | £m | £m | £m | £m | **£m** |
| At 3 July 2022 | 5.7 | (76.5) | 23.9 | 417.3 | 370.4 | (32.2) | **338.2** |
| Retirement benefit obligation actuarial loss | - | - | - | - | - | (56.3) | **(56.3)** |
| Taxation on retirement benefit obligation actuarial loss | - | - | - | - | - | 14.4 | **14.4** |
| Cash flow hedges - losses arising in the year | (8.2) | - | - | - | (8.2) | - | **(8.2)** |
| Taxation on cash flow hedges | 1.1 | - | - | - | 1.1 | - | **1.1** |
| Long term incentive plan charge | - | - | - | - | - | (1.6) | **(1.6)** |
| Purchase of minority interest | - | - | - | - | - | (1.3) | **(1.3)** |
| Currency translation differences | - | - | (0.2) | - | (0.2) | - | **(0.2)** |
| Profit for the year | - | - | - | - | - | 42.8 | **42.8** |
| **At 2 July 2023** | **(1.4)** | **(76.5)** | **23.7** | **417.3** | **363.1** | **(34.2)** | **328.9** |

| | | Other reserves: | | | | | |
|---|---|---|---|---|---|---|---|
| | Hedging | Business comb. under common control | Other reserves | Capital contribution | Total other reserves | Retained earnings | Total |
| **Group - attributable to owners of the parent Company** | £m | £m | £m | £m | £m | £m | **£m** |
| At 4 July 2021 | 0.3 | (76.5) | 26.7 | 417.3 | 367.8 | (4.2) | **363.6** |
| Impact of adoption of IFRS 16 | - | - | - | - | - | - | **-** |
| Retirement benefit obligation actuarial gain | - | - | - | - | - | 33.5 | **33.5** |
| Taxation on retirement benefit obligation actuarial gain | - | - | - | - | - | (5.9) | **(5.9)** |
| Cash flow hedges - gains arising in the year | 6.2 | - | - | - | 6.2 | - | **6.2** |
| Taxation on cash flow hedges | (0.8) | - | - | - | (0.8) | - | **(0.8)** |
| Long term incentive plan charge | | - | - | - | - | (1.3) | **(1.3)** |
| Currency translation differences | - | - | (2.8) | - | (2.8) | - | **(2.8)** |
| (Loss) for the year | - | - | - | - | - | (54.3) | **(54.3)** |
| **At 3 July 2022** | **5.7** | **(76.5)** | **23.9** | **417.3** | **370.4** | **(32.2)** | **338.2** |

Included within other reserves are cumulative exchange gains of £22.7m (2022: £22.9m) and gains on the fair value of cash flow hedges of £1.0m (2022: £1.0m).

| **Company** | Hedging | Other | Capital contribution | Total other reserves | Retained earnings | **Total** |
|---|---|---|---|---|---|---|
| | £m | £m | £m | £m | £m | **£m** |
| At 3 July 2022 | 3.5 | (18.9) | 446.5 | 431.1 | 107.8 | **538.9** |
| Profit for the year | - | - | - | - | 33.0 | **33.0** |
| Long term incentive plan charge | - | - | - | - | (0.9) | **(0.9)** |
| Cash flow hedges - loss arising in the year | (5.7) | - | - | (5.7) | - | **(5.7)** |
| Taxation on cash flow hedges | 1.1 | - | - | 1.1 | - | **1.1** |
| Retirement benefit obligation actuarial loss | - | - | - | - | (61.4) | **(61.4)** |
| Taxation on retirement benefit obligation actuarial loss | - | - | - | - | 15.4 | **15.4** |
| **At 2 July 2023** | **(1.1)** | **(18.9)** | **446.5** | **426.5** | **93.9** | **520.4** |

| **Company** | Hedging | Other | Capital contribution | Total other reserves | Retained earnings | Total |
|---|---|---|---|---|---|---|
| | £m | £m | £m | £m | £m | £m |
| At 4 July 2021 | 0.2 | (18.9) | 446.5 | 427.8 | 81.1 | 508.9 |
| Profit for the year | - | - | - | - | 10.6 | 10.6 |
| Long term incentive plan charge | - | - | - | - | (0.6) | (0.6) |
| Cash flow hedges - profit arising in the year | 4.1 | - | - | 4.1 | - | 4.1 |
| Taxation on cash flow hedges | (0.8) | - | - | (0.8) | - | (0.8) |
| Retirement benefit obligation actuarial gain | - | - | - | - | 20.6 | 20.6 |
| Taxation on retirement benefit obligation actuarial gain | - | - | - | - | (3.9) | (3.9) |
| At 3 July 2022 | 3.5 | (18.9) | 446.5 | 431.1 | 107.8 | 538.9 |

Other reserves include a credit of £10.9m (2022: £10.9m) in respect of the differences between the nominal value and fair value of shares issued for the acquisition of subsidiary companies and losses of £29.6m (2022:£29.6m) in respect of the differences between the fair value and book value of assets hived up from a subsidiary undertaking. Also included within other reserves are cumulative exchange losses of £0.2m (2022: £0.2m).

## Notes to the financial statements

### 23. Cash generated from operations

Reconciliation of profit before taxation to cash generated from operations

| | Group | | Company | |
|---|---|---|---|---|
| | **For the year ended 2 July 2023** | For the year ended 3 July 2022 | **For the year ended 2 July 2023** | For the year ended 3 July 2022 |
| | **£m** | £m | **£m** | £m |
| (Loss) / Profit before taxation | **33.7** | (57.2) | **29.3** | 14.0 |
| *Adjustments for:* | | | | |
| - Finance income | **(13.9)** | (13.2) | **(13.5)** | (13.1) |
| - Finance costs | **23.7** | 25.8 | **22.4** | 28.3 |
| Depreciation charges | **90.6** | 109.8 | **35.2** | 41.4 |
| Amortisation and impairment of intangibles | **22.1** | 6.3 | **7.2** | 0.1 |
| Impairment | **0.8** | - | **-** | - |
| Retirement benefit contributions paid | **(17.0)** | (16.1) | **(15.6)** | (14.7) |
| Loss (gain) on sale of property, plant and equipment | **5.1** | (2.9) | **1.8** | (0.6) |
| Increase in inventories | **(85.0)** | (42.3) | **(28.6)** | (12.8) |
| Decrease / (Increase) in trade and other receivables | **(104.0)** | (67.4) | **(75.4)** | (140.3) |
| Increase in trade and other payables | **212.9** | 137.3 | **113.2** | 195.9 |
| Cash generated from operations | **169.0** | 80.1 | **76.0** | 98.2 |

### 24. Acquisition of businesses

On the 1 September 2021, the Brakes Group acquired 100% of the issued share capital of Medina Quay Meats Limited in the UK. Medina is a foodservice business with a strong independent customer base, which compliments the UK Speciality businesses.

The Directors assessed the impact of accounting for the acquisition up to the date of these financial statements. Final fair values have been incorporated in the 2023 financial statements, with no changes to the provisional amounts.

### 25. Employees and directors' emoluments

| | Group | | Company | |
|---|---|---|---|---|
| Average monthly number of people employed by the Group and Company during the year: | **For the year ended 2 July 2023** | For the year ended 3 July 2022 | **For the year ended 2 July 2023** | For the year ended 3 July 2022 |
| | **Number** | Number | **Number** | Number |
| Distribution, manufacturing and selling | **13,485** | 11,459 | **6,154** | 5,746 |
| Administration | **1,366** | 1,365 | **451** | 465 |
| | **14,851** | 12,824 | **6,605** | 6,211 |

| | Group | | Company | |
|---|---|---|---|---|
| | **For the year ended 2 July 2023** | For the year ended 3 July 2022 | **For the year ended 2 July 2023** | For the year ended 3 July 2022 |
| | **£m** | £m | **£m** | £m |
| The costs incurred in respect of these employees were: | | | | |
| Wages and salaries | **486.5** | 440.5 | **254.5** | 221.9 |
| Social security costs | **96.2** | 87.6 | **24.6** | 21.3 |
| Defined benefit pension costs | **1.9** | 1.5 | **-** | - |
| Defined contribution pension costs | **9.6** | 12.2 | **6.5** | 9.0 |
| | **594.2** | 541.8 | **285.6** | 252.2 |

Key management compensation

| | **For the year ended 2 July 2023** | For the year ended 3 July 2022 |
|---|---|---|
| | **£m** | £m |
| Salaries and short-term benefits | **0.6** | 0.1 |
| Post-employment benefits | **-** | - |
| | **0.6** | 0.1 |

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.

## Notes to the financial statements

### 25. Employees and directors' emoluments (continued)

**Directors' emoluments**

| | For the year ended 2 July 2023 £'000 | For the year ended 3 July 2022 £'000 |
|---|---|---|
| Aggregate emoluments | **608** | 56 |
| Company pension contributions to money purchase schemes | **29** | - |
| Retirement benefits are accruing to 1 (2022: 1) directors under money purchase pension arrangements only. | | |
| **Emoluments paid to the highest paid director are as follows:** | | |
| Aggregate emoluments and benefits | **608** | 56 |
| Company pension contributions to money purchase schemes | **29** | - |

In the year ended 2 July 2023 816 restricted stock units, 4,287 options and 2,080 performance share units were granted to the Directors (2022: nil).

The emoluments of the other Directors are recharged to Sysco Corporation as they form part of overall governance structure for Sysco's International Foodservice operations segment.

### 26. Equity settled share scheme

Sysco Corporation provide a share-based payment arrangement to Brakes employees under the Sysco Omnibus Incentive Plan (2018 Plan) and certain employees of Brakes Group have been awarded Sysco stock options, restricted stock units and performance share units (PSUs) under this 2018 Plan.

Vesting requirements for awards under the 2018 Plan vary by individual grant and may include either time-based vesting or time-based vesting subject to acceleration based on performance criteria for fiscal periods of at least one year. The contractual life of all options granted under the 2018 Plan are and will be no greater than ten years.

The stock option awards are subject to graded vesting over a requisite service period with compensation recognised on a straight-line basis over the requisite service period over the duration of the award.

During the year 46,520 (2022: 42,738) restricted stock units were granted to Brakes employees which will vest rateably over a three-year period. The weighted average grant-date fair value per restricted stock unit granted in the period was US$74.13 (2022: US$80.78).

During the year, 13,851 PSUs (2022: 20,526) were granted to Brakes employees, these will convert into shares of Sysco common stock at the end of the performance period based on actual performance targets achieved, as well as the market-based return of Sysco's common stock relative to that of the S&P 500 index companies. The weighted average grant-date fair value per PSU granted in the year was US$85.60 (2022: US$77.07).

The fair value of each option is estimated as of the date of grant using a Black-Scholes option pricing model. Expected dividend yield is estimated based on the historical pattern of dividends and the average stock price for the year preceding the option grant. Expected volatility is based on historical volatility of Sysco's stock, implied volatilities from traded options on Sysco's stock and other factors. The risk-free interest rate for the expected term of the option is based on the US Treasury yield curve in effect at the time of the grant. Sysco uses historical data to estimate option exercise and employee termination behaviour within the valuation model.

The weighted average assumptions discussed above are noted below:

| **Group and company** | **For the year ended 2 July 2023** | For the year ended 3 July 2022 |
|---|---|---|
| Dividend yield | **2.4 %** | 2.5 % |
| Expected volatility | **32.6 %** | 30.1 % |
| Risk-free interest rate | **3.0 %** | 1.0 % |
| Expected life | **6.6 years** | 6.6 years |

The following share based payment arrangements took place during the year ended 3 July 2022 and existed at the year end:

| | **For the year ended 2 July 2023** | | For the year ended 3 July 2022 | |
|---|---|---|---|---|
| **Group and Company** | **Number of share options** | **Weighted average exercise price** | Number of share options | Weighted average exercise price |
| Outstanding at beginning of year | **354,881** | **$68.47** | 497,651 | $66.72 |
| Granted during the year | **28,749** | **$85.61** | 56,155 | $77.06 |
| Exercised during the year | **(10,746)** | **$66.70** | (148,515) | $66.32 |
| Forfeited during the year | **(19,898)** | **$70.57** | (50,410) | $67.13 |
| Outstanding at end of the year | **352,986** | **$69.80** | 354,881 | $68.47 |
| | | | | |
| Vested or expected to vest as of 2 July 2023 / 3 July 2022 | **68,963** | **$74.45** | 132,317 | $68.58 |
| Exercisable at the end of the period | **282,301** | **$68.59** | 220,937 | $68.39 |

The total share-based compensation cost included within operating expenses in the Group for the year ended 2 July 2023 was £2.7m (2022: £4.4m), with a corresponding capital contribution within equity. An intercompany liability is recognised on the balance sheet for the amount payable to Sysco Corporation of £5.4m (2022: £6.4m) in respect of the above scheme.

## Notes to the financial statements

### 27. Commitments

| | Group | | Company | |
|---|---|---|---|---|
| | **At 2 July 2023** | At 3 July 2022 | **At 2 July 2023** | At 3 July 2022 |
| | **£m** | £m | **£m** | £m |
| Contracted for but not provided | **48.5** | 18.0 | **45.6** | 16.0 |

Capital commitments in the Group amounting to £39.8m (2022: £17.5m) is in respect of motor vehicles and £8.7m (2022: £0.5m) is in respect of plant and machinery, IT hardware and software.

Capital commitments in the Company amounting to £39.2m (2022: £15.5m) is in respect of motor vehicles and £6.4m (2022: £0.5m) is in respect of plant and machinery, IT hardware and software.

### 28. 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 Sysco Corporation Group. Details of these transactions are as follows:

| | **At 2 July 2023** | At 3 July 2022 |
|---|---|---|
| | **£m** | £m |
| Loans owed by parent undertakings | **234.0** | 228.3 |
| Loans owed to parent undertakings | **(118.4)** | (120.3) |
| Loans owed to Group undertakings | **(132.2)** | (132.1) |
| Trade and other receivables owed by parent undertakings | **104.0** | 97.3 |
| Trade and other receivables owed by related undertakings | **1.0** | 0.8 |
| Trade and other payables owed to parent undertakings | **(119.8)** | (157.8) |
| Trade and other payables owed to Group undertakings | **(91.6)** | (30.2) |
| Trade and other payables owed to related undertakings | **(1.1)** | (14.5) |
| Trade and other receivables owed by subsidiary undertakings | **84.9** | 55.1 |
| Interest payable to parent undertakings | **(7.5)** | (7.5) |
| Interest payable to subsidiary undertakings | **(7.9)** | (7.9) |
| Interest receivable from parent undertakings | **13.4** | 13.1 |
| Sales to subsidiary undertakings | **12.9** | 16.4 |
| Sales to Sysco Corporation Group undertakings | **8.6** | 5.8 |
| Purchases from subsidiary undertakings | **90.7** | 72.0 |
| Purchases from Sysco Corporation Group undertakings | **0.1** | 0.2 |

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

Key management compensation is disclosed in note 25, retirement benefit obligations are disclosed in note 17.

### 29. Government Grants

During the year ended 2 July 2023, the Group were no longer recipients of Government Grants in respect of the subsidisation of wages as a result of staff being furloughed as a result of the impact of Covid-19. In the year ended 2 July 2023 the Group has recorded grant income of £nil (2022: £12.0m) in respect of 14,851 employees from the relevant Government schemes. At 2 July 2023, £nil (2022: £nil) of these expected receipts were outstanding and included in other receivables.

In addition to the furlough costs we had additional government grants in respect of the following:

| | | **2023** | 2022 |
|---|---|---|---|
| **Grant income other** | **Grant type** | **£'000** | £'000 |
| Sysco France | Compensation on fuel costs | **522** | 522 |
| Menigo Foodservice | Hire support | **55** | 12 |
| Menigo Foodservice | Compensation for sick pay | **24** | 39 |

### 30. Ultimate parent company and controlling party

The immediate parent undertaking is Cucina Acquisition (UK) Limited, a company incorporated in the United Kingdom.

The Company's ultimate parent undertaking and controlling party is Sysco Corporation, a company incorporated in the United States.

The parent undertaking of the smallest and largest Group to consolidate these financial statements is Sysco Corporation. Copies of Sysco Corporation's Group financial statements can be obtained from 1390 Enclave Parkway, Houston, Texas, United states.

### 31. Post balance sheet events

On 4 October 2023, Brake Bros Limited paid the deferred contribution for the acquisition of Medina Quay Meats Limited. The deferred payment was in accordance with the Share Purchase Agreement.