**Adams Foods Limited**

# Directors' report and financial statements

Registered number 362221

For the year ended 31 December 2011

# Contents

# Directors' report

The directors present their directors' report and financial statements for the year ended 31 December 2011

**Principal activities**

The company's principal activity during the year was the production, packaging and marketing of food products

The results for the company show a pre-tax loss of £1 1 million *(2010 £5 9 million profit)* for the year and sales of £322 4 million *(2010 £260 5 million)* During 2011 the company incurred exceptional costs totalling £4 2 million, of which a provision of £3 0 million related to the closure and transfer of a production facility

The company has net assets of £24 4 million *(2010 £27 4 million)* at the Balance Sheet date

**Future Outlook**

The external commercial environment is expected to remain competitive However, the recent investment in the modern packing facility and further consolidation of the manufacturing facilities into one location will enhance the businesses ability to service the needs of its customers in the years ahead

Further to the changes made to the board of directors within the business, the company will continue to focus upon brand investment and growth together with product innovation and manufacturing excellence

**Principal Risks and Uncertainties**

The company operates in a highly competitive and changing market However, business processes are in place to enable the company to anticipate, monitor and adapt to market changes within this environment

**Key Performance Indicators**

The financial key performance indicators that provide an understanding of the development, performance and position of the business are primarily changes in sales volumes, margins and pre tax profits

**Financial Risk management**

In the directors opinion there are no key financial risks which are deemed to have a potential material impact on the assessment of the company's assets, liabilities, financial position and profit or loss for the financial year

**Dividends and transfers to reserves**

The directors do not recommend a dividend payment *(2010 £nil)* The retained loss for the year of £874,000 *(2010 £3,796,000 profit)* has been transferred to reserves

**Directors**

The directors who held office during the year were as follows

| | |
|---|---|
| C Fitzgerald | (Resident in the Republic of Ireland) |
| J O Flynn | (Resident in the Republic of Ireland) |
| C Ravenhall | (Resigned on 31 August 2011) |
| C M Terry | (Resigned on 06 April 2012) |
| S Whitfield | |
| D Turvey | (Resigned on 13 April 2012) |
| D Evans | |
| J Popiolkowski | |
| A Jackson | |
| G Childs | |
| K Lane | (Resident in the Republic of Ireland) |
| I Toal | (Appointed 12 July 2011) |
| N Scott | (Appointed 05 March 2012) |
| M Roberts | (Appointed 23 January 2012) |

## Directors' report *(continued)*

**Employees**

The company recognises its responsibilities towards disabled persons by giving fair consideration to applications for employment from such people, having regard to the particular aptitudes and abilities of each applicant

Compassionate consideration is given to existing employees who become disabled Training and career opportunities are offered to disabled persons in line with the company's general policy of career development subject to the capabilities of each person and the opportunities within the company

The company places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and the various factors affecting the performance of the company

This is achieved through formal and informal meetings Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests

**Creditor payment policy**

It is the company's policy to ensure that payment terms are agreed with suppliers and they are aware of the relevant terms Such terms are then applied when goods or services have been satisfactorily provided At the year-end there were 48 days *(2010 43 days)* purchases in trade creditors

**Political and charitable contributions**

The Company made no political donations during the year *(2010 £nil)* Donations to UK charities amounted to £2,716 *(2010 £2,629)*

**Disclosure of information to auditor**

The directors who held office at the date of approval of this directors report confirm that so far as they are each aware, there is no relevant audit information of which the Company s auditor is unaware, and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company s auditor is aware of that information

**Auditor**

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office

By order of the board

**N Scott**
*Secretary*

Sunnyhills Road
Leek
Staffordshire
ST13 5SP

18th September 2012

## Statement of directors' responsibilities in respect of the Directors' Report and the financial statements

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

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 company and of the profit or loss of the company for that period In preparing these financial statements, the directors are required to

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006 They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

KPMG LLP

St James' Square
Manchester
M2 6DS
United Kingdom

## Independent auditor's report to the members of Adams Foods Limited

We have audited the financial statements of Adams Foods Limited for the year ended 31 December 2011 set out on pages 6 to 22 The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice)

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 auditors' 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

**Respective responsibilities of directors and auditor**

As explained more fully in the Directors' Responsibilities Statement set out on page 3 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit, and to express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors

**Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the APB's web-site at www frc org uk/apb/scope/private cfm

**Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2011 and of its loss for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

**Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

## Independent auditor's report to the members of Adams Foods Limited *(continued)*

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

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the 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

Stuart Burdass

**S Burdass (Senior Statutory Auditor)**
**for and on behalf of KPMG LLP, Statutory Auditor**
*Chartered Accountants*
*Registered Auditor*
St James Square
Manchester
M2 6DS

26/09/2012

## Profit and Loss Account
*for the year ended 31 December 2011*

| | Note | 2011 £000 | 2010 £000 |
|---|---|---|---|
| **Turnover** | 2 | **322,411** | 260,477 |
| Cost of sales – including exceptional costs of £1,271,000 (2010 £nil) | | **(299,936)** | (238,929) |
| **Gross profit** | | **22,475** | 21,548 |
| Distribution costs | | **(9,547)** | (7,293) |
| Administrative expenses – including exceptional costs of £2,960,000 (2010 £nil) | 3 | **(13,511)** | (7,780) |
| **Operating (loss)/profit** | 3 | **(583)** | 6,475 |
| Loss on disposal of investment | 11 | **(13)** | - |
| Other interest receivable and similar income | 6 | **170** | 100 |
| Interest payable and similar charges | 7 | **(695)** | (470) |
| Other finance income/ (costs) | 21 | **22** | (192) |
| **(Loss)/Profit on ordinary activities before taxation** | | **(1,099)** | 5,913 |
| Tax on (loss)/profit on ordinary activities | 8 | **225** | (2,117) |
| **(Loss)/Profit for the financial year** | | **(874)** | 3,796 |

The (loss)/profit for the year is derived entirely from continuing operations

The notes on pages 9 to 22 form part of the financial statements

## Balance Sheet
*At 31 December 2011*

| | Note | 2011 £000 | 2011 £000 | 2010 £000 | 2010 £000 |
|---|---|---|---|---|---|
| **Fixed assets** | | | | | |
| Intangible assets | 9 | | 746 | | 831 |
| Tangible assets | 10 | | 30,388 | | 33,871 |
| Investments | 11 | | - | | 17 |
| | | | 31,134 | | 34,719 |
| **Current assets** | | | | | |
| Stocks | 12 | 41,359 | | 44,332 | |
| Debtors | 13 | 43,273 | | 38,103 | |
| Cash at bank and in hand | | 7,988 | | 2,764 | |
| | | 92,620 | | 85,199 | |
| **Creditors:** amounts falling due within one year | 14 | (96,461) | | (91,235) | |
| **Net current liabilities** | | | (3,841) | | (6,036) |
| **Total assets less current liabilities** | | | 27,293 | | 28,683 |
| **Creditors:** amounts falling due after more than one year | 15 | | (100) | | (100) |
| **Deferred taxation** | 16 | | (422) | | (690) |
| **Net assets excluding pension liabilities** | | | 26,771 | | 27,893 |
| **Pension liabilities** | 21 | | (2,366) | | (486) |
| **Net assets including pension liabilities** | | | 24,405 | | 27,407 |
| **Capital and reserves** | | | | | |
| Called up share capital | 17 | | 1,706 | | 1,706 |
| Share premium account | 18 | | 1,379 | | 1,379 |
| Other reserves | 18 | | 50 | | 50 |
| Profit and loss account | 18 | | 21,270 | | 24,272 |
| **Shareholders' funds** | | | 24,405 | | 27,407 |

The notes on pages 9 to 22 form part of the financial statements

These financial statements were approved by the board of directors on 18/9/2012 and were signed on its behalf by

**I Toal**
*Director*

**Company Registration Number: 362221**

## Statement of Total Recognised Gains and Losses
*for the year ended 31 December 2011*

| | 2011<br>£000 | 2010<br>£000 |
|---|---|---|
| **(Loss)/Profit for the financial year** | **(874)** | 3,796 |
| Actuarial (loss)/gain recognised in the pension scheme | **(2,831)** | 4,115 |
| Deferred tax arising on gain/(loss) in the pension scheme | **703** | (1,152) |
| **Total recognised (losses) and gains relating to the financial year** | **(3,002)** | 6,759 |

The notes on pages 9 to 22 form part of the financial statements

# Notes
*(forming part of the financial statements)*

## 1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements, except as noted below

*Basis of preparation*

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules

The company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Directors' Report on pages 1 to 2

The company has considerable financial resources and as a consequence, the directors believe that the company is well placed to successfully manage its business risks

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements

Under FRS 1 the Company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the Company in its own published consolidated financial statements

As the Company is a wholly owned subsidiary of Irish Dairy Board Co-operative Limited, the Company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties) The consolidated financial statements of Irish Dairy Board Co-operative Limited, within which this Company is included, can be obtained from the address given in note 22

*Goodwill*

Purchased goodwill (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) arising on business combinations in respect of acquisitions since 1 January 1998 is capitalised Positive goodwill is amortised to nil by equal annual instalments over its estimated useful life

*Fixed assets and depreciation*

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows

| | | |
|---|---|---|
| Freehold buildings | - | 2% to 10% based on cost or valuation |
| Plant and machinery | - | 20% based on cost |
| Fixtures and fittings | - | 20% based on cost |

Freehold land is not depreciated No depreciation is provided on payments on accounts and assets under construction

*Foreign currencies*

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account

# Notes *(continued)*

## 1 Accounting policies *(continued)*

***Leases***

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease

***Stocks***

Stocks are stated at the lower of cost and net realisable value In determining the cost of raw materials consumables and goods purchased for resale, the weighted average purchase price is used For work in progress and finished goods cost is taken as production cost which includes an appropriate proportion of attributable overheads

***Research and development expenditure***

Expenditure on research and development is written off to the profit and loss account in the year in which it is incurred

***Post-retirement benefits***

The Company operates a defined contribution pension scheme The assets of the scheme are held separately from those of the Company in an independently administered fund The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period

The company also operates a defined benefit pension scheme which was closed to new members in July 2003 The pension obligations of the company are met by payments to the group scheme providing benefits based on final pensionable pay The assets of the scheme are held separately from those of the company

Pension scheme assets are measured using market values For quoted securities the current bid price is taken as market value Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability

The pension scheme surplus (to the extent that it is recoverable) or deficit is recognised in full The movement in the scheme surplus/deficit is split between operating charges, finance items and, in the statement of total recognised gains and losses, actuarial gains and losses

***Taxation***

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19

## Notes *(continued)*

### 1 Accounting policies *(continued)*

***Classification of financial instruments issued by the Company***

Following the adoption of FRS 25 financial instruments issued by the Company are treated as equity (i e forming part of shareholders' funds) only to the extent that they meet the following two conditions

a) they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company, and

b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company s own equity instruments or is a derivative that will be settled by the Company s exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments

To the extent that this definition is not met the proceeds of issue are classified as a financial liability Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares

Finance payments associated with financial liabilities are dealt with as part of interest payable and similar charges Finance payments associated with financial instruments that are classified as part of shareholders' funds (see dividends policy) are dealt with as appropriations in the reconciliation of movements in shareholders funds

***Turnover***

Turnover represents the amounts (excluding value added tax) derived from the production packaging and marketing of food products to customers during the year, and is recognised on despatch

***Cash and liquid resources***

Cash comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand

### 2 Analysis of turnover

| | **2011 Turnover £000** | 2010 Turnover £000 |
|---|---|---|
| ***By geographical market*** | | |
| United Kingdom | **301,535** | 236,128 |
| Rest of Europe | **19,682** | 22,429 |
| Rest of World | **1,194** | 1,920 |
| | **322,411** | 260,477 |

## Notes *(continued)*

### 3 Notes to the profit and loss account

| | 2011 £000 | 2010 £000 |
|---|---|---|
| *(Loss)/profit on ordinary activities before taxation is stated after charging* | | |
| Depreciation and other amounts written off tangible and intangible fixed assets | | |
| Owned | **3,900** | 3,388 |
| Amortisation of goodwill | **85** | 60 |
| Loss on disposal of tangible fixed assets | **-** | 10 |
| Hire of other assets - operating leases | **226** | 127 |
| Exceptional costs – product claims | **1,271** | - |
| Exceptional costs – restructuring costs | **2,960** | - |

Product claims includes costs associated with the resolution of a product contamination issue with a major supplier, including the compensation associated with the supply disruption that arose for a limited period as a result of this issue

Restructuring costs relate to the closure of the Wincanton production facility and the transfer of the activities conducted at this site to the Company s manufacturing site in Leek

The tax effect of the exceptional items is £996,000 (2010 £nil)

*Auditor's remuneration*

| | 2011 £000 | 2010 £000 |
|---|---|---|
| Audit of these financial statements | **39** | 19 |
| Amounts receivable by the auditor and their associates in respect of | | |
| Other services relating to taxation | **12** | 31 |

### 4 Remuneration of directors

| | 2011 £000 | 2010 £000 |
|---|---|---|
| Directors' emoluments | **1,043** | 799 |
| Company contributions to money purchase pension schemes | **56** | 20 |
| | **1,099** | 819 |

The aggregate of emoluments of the highest paid director were £178,665 *(2010 £224,000)* He is a not a member of a defined benefit scheme

| | Number of directors 2011 | 2010 |
|---|---|---|
| Retirement benefits are accruing to the following number of directors under | | |
| Defined benefit schemes | **2** | 2 |
| Money purchase schemes | **7** | 5 |

## Notes *(continued)*

### 5 Staff numbers and costs

The average number of persons employed by the Company (including directors) during the year, analysed by category, was as follows

| | Number of employees 2011 | 2010 |
|---|---|---|
| Production | **648** | 518 |
| Selling and distribution | **28** | 15 |
| Administration | **31** | 21 |
| | **707** | 554 |

The aggregate payroll costs of these persons were as follows

| | 2011 £000 | 2010 £000 |
|---|---|---|
| Wages and salaries | **14,794** | 11,540 |
| Social security costs | **1,278** | 924 |
| Other pension costs | **532** | 498 |
| | **16,604** | 12,962 |

### 6 Other interest receivable and similar income

| | 2011 £000 | 2010 £000 |
|---|---|---|
| Bank interest | **153** | 96 |
| On amounts due from group undertakings | **17** | 1 |
| *Other* | **-** | 3 |
| | **170** | 100 |

### 7 Interest payable and similar charges

| | 2011 £000 | 2010 £000 |
|---|---|---|
| On bank loans and overdrafts | **2** | 65 |
| On amounts due to group undertakings | **693** | 405 |
| | **695** | 470 |

## Notes *(continued)*

### 8 Taxation

*Analysis of (credit)/ charge in period*

| | 2011 £000 | 2010 £000 |
|---|---|---|
| *UK corporation tax* | | |
| Current tax on (loss)/income for the period | - | 1,622 |
| Adjustments in respect of prior periods | (54) | 90 |
| Total current tax | (54) | 1,712 |
| *Deferred tax (see note 16)* | | |
| Origination/reversal of timing differences | (175) | 299 |
| Adjustment in respect of previous years | 4 | 106 |
| Total deferred tax | (171) | 405 |
| Tax on (loss)/profit on ordinary activities | (225) | 2,117 |

*Factors affecting the tax (credit)/charge for the current period*

The current tax (credit)/charge for the period is lower *(2010 higher)* than the standard rate of corporation tax in the UK 26 5% *(2010 28%)* The differences are explained below

| | 2011 £000 | 2010 £000 |
|---|---|---|
| *Current tax reconciliation* | | |
| (Loss)\Profit on ordinary activities before tax | (1,099) | 5,913 |
| Current tax at 26 5 % *(2010 28%)* | (291) | 1,656 |
| *Effects of* | | |
| Expenses not deductible for tax purposes | 477 | 379 |
| Accelerated capital allowances and other timing differences | 132 | (318) |
| Adjustments to tax charge in respect of previous periods | (54) | 90 |
| Group relief received not paid for | (318) | (95) |
| Total current tax (credit)/charge (see above) | (54) | 1,712 |

The 2012 Budget on 21 March 2012 announced that the UK corporation tax rate will reduce to 22% by 2014 A reduction in the rate from 26% to 25% (effective from 1 April 2012) was substantively enacted on 5 July 2011, and further reductions to 24% (effective from 1 April 2012) and 23% (effective from 1 April 2013) were substantively enacted on 26 March 2012 and 17 July 2012 respectively

This will reduce the company's future current tax charge accordingly and further reduce the deferred tax asset at 31 December 2011 which has been calculated based on the rate of 25% substantively enacted at the balance sheet date

It has not yet been possible to quantify the full anticipated effect of the announced further 1% rate reduction, although this will further reduce the company's future current tax charge and reduce the company's deferred tax asset accordingly

## Notes *(continued)*

### 9 Intangible fixed assets

| | Goodwill £000 |
|---|---|
| *Cost* | |
| At beginning and end of year | 1,220 |
| *Amortisation* | |
| At beginning of year | (389) |
| Charged in year | (85) |
| At end of year | (474) |
| *Net book value* | |
| **At 31 December 2011** | **746** |
| At 31 December 2010 | 831 |

### 10 Tangible fixed assets

| | Freehold land and buildings £000 | Plant and machinery £000 | Fixtures and fittings £000 | Payments on account and assets in course of construction £000 | Total £000 |
|---|---|---|---|---|---|
| *Cost* | | | | | |
| At beginning of year | 29,941 | 24,167 | 3,772 | 17 | 57,897 |
| Additions | 81 | 1,636 | 122 | 226 | 2,065 |
| Transfers | - | 17 | - | (17) | - |
| Disposals | (1,099) | (619) | (355) | - | (2,073) |
| At end of year | 28,923 | 25,201 | 3,539 | 226 | 57,889 |
| *Depreciation* | | | | | |
| At beginning of year | 3,614 | 17,767 | 2,645 | - | 24,026 |
| Charge for year | 1,294 | 2,262 | 344 | - | 3,900 |
| Disposals | (82) | (216) | (127) | | (425) |
| At end of year | 4,826 | 19,813 | 2,862 | - | 27,501 |
| *Net book value* | | | | | |
| **At 31 December 2011** | **24,097** | **5,388** | **677** | **226** | **30,388** |
| At 31 December 2010 | 26,327 | 6,400 | 1,127 | 17 | 33,871 |

The gross value of land and buildings includes £27,507,000 *(2010 £27,831,000)* of depreciable assets The directors have used the revalued amounts as deemed cost in accordance with the transition rules of FRS 15

# Notes *(continued)*

## 11 Fixed asset investments

| | Shares in group undertakings £000 |
|---|---|
| *Cost* | |
| At beginning of year | 17 |
| Disposals | (17) |
| At end of year | - |
| ***Net book value*** | |
| **At 31 December 2011** | - |
| At 31 December 2010 | 17 |

During the year the investment in Green Flag Foods was disposed of for £4 000, resulting in a loss on disposal of £13,000

## 12 Stocks

| | **2011 £000** | 2010 £000 |
|---|---|---|
| Raw materials and consumables | **35,278** | 38,147 |
| Finished goods and goods for resale | **6,081** | 6,185 |
| | **41,359** | 44,332 |

## 13 Debtors

| | **2011 £000** | 2010 £000 |
|---|---|---|
| Trade debtors | **30,936** | 32,904 |
| Corporation tax | **634** | - |
| Amounts owed from group undertakings | **5,129** | 3,443 |
| Other debtors | **6,107** | 1,496 |
| Prepayments and accrued income | **467** | 260 |
| | **43,273** | 38,103 |

Amounts owing from group undertakings are unsecured attracting interest and are repayable on demand

## Notes *(continued)*

### 14 Creditors. amounts falling due within one year

| | 2011 £000 | 2010 £000 |
|---|---|---|
| Bank loans and overdrafts | - | 2,501 |
| Trade creditors | 16,761 | 15,142 |
| Amounts owed to group undertakings | 64,245 | 63,960 |
| Corporation tax | - | 816 |
| Taxation and social security | 472 | 483 |
| Other creditors | 13,382 | 6,173 |
| Accruals and deferred income | 1,601 | 2,160 |
| | 96,461 | 91,235 |

Amounts owed to group undertakings are unsecured, attracting interest and are repayable on demand

### 15 Creditors: amounts falling due after more than one year

| | 2011 £000 | 2010 £000 |
|---|---|---|
| 100,000 7% cumulative preference shares of £1 each | 100 | 100 |

The right to a dividend on the 7% cumulative preference shares has been waived In a winding-up the holders are entitled to the repayment of the capital paid up in priority to the holders of all other shares in the company The holders do not have the right to vote unless a resolution is proposed affecting their rights and a resolution proposing to increase the capital ranking pari passu with such shares shall be deemed to affect their rights, or a resolution is proposed to wind up the company or sell its undertaking or to reduce its share capital, or to reconstruct the company, or amalgamate it, or to render it a subsidiary of any other company In either of these events every holder of the preference shares has one vote in respect of each such preference share held The fair value of the preference shares are not considered to be materially different from their book value The redeemable preference shares are redeemable at the request of the shareholders

### 16 Deferred taxation

The movement in the year is as follows

| | £000 |
|---|---|
| At beginning of year | (690) |
| Credit to the profit and loss account for the year | 171 |
| Transfer of pension liability | 97 |
| **At end of year** | **(422)** |

The elements of deferred taxation are as follows

| | 2011 £000 | 2010 £000 |
|---|---|---|
| Difference between accumulated depreciation and amortisation and capital allowances | (1,255) | (1,348) |
| Other timing differences | 833 | 658 |
| | (422) | (690) |

## Notes *(continued)*

### 17 Called up share capital

| | **2011 £000** | 2010 £000 |
|---|---|---|
| ***Allotted, called up and fully paid*** | | |
| 17,057,918 ordinary shares of £0 10 each | **1,706** | 1,706 |
| 100,000 7% cumulative preference shares of £1 each | **100** | 100 |
| | **1,806** | 1,806 |
| Shares classified as liabilities | **100** | 100 |
| Shares classified in shareholders' funds | **1,706** | 1,706 |
| | **1,806** | 1,806 |

### 18 Share premium and reserves

| | **Share premium account £000** | **Other reserves £000** | **Profit and loss account £000** |
|---|---|---|---|
| At 31 December 2010 | 1,379 | 50 | 24,272 |
| Loss for the year | - | - | (874) |
| Actuarial loss recognised in the pension scheme | - | - | (2,831) |
| Deferred tax arising on loss in the pension scheme | - | - | 703 |
| **At 31 December 2011** | **1,379** | **50** | **21,270** |

### 19 Reconciliation of movements in shareholders' funds

| | **2011 £000** | 2010 £000 |
|---|---|---|
| **(Loss)/Profit for the year** | **(874)** | 3,796 |
| Actuarial (loss)/gain recognised in the pension scheme | **(2,831)** | 4,115 |
| Deferred tax arising on losses/(gains) in the pension scheme | **703** | (1,152) |
| **Net (decrease)/ increase in shareholders' funds** | **(3,002)** | 6,759 |
| Opening shareholders' funds | **27,407** | 20,648 |
| **Closing shareholders' funds** | **24,405** | 27,407 |

## Notes *(continued)*

### 20 Commitments

(a) Capital commitments at the end of the financial year, for which no provision has been made, are as follows

| | 2011 £000 | 2010 £000 |
|---|---|---|
| Contracted | **638** | 368 |

(b) Annual commitments under non-cancellable operating leases are as follows

| | 2011 Land and buildings £000 | 2011 Other £000 | 2010 Land and buildings £000 | 2010 Other £000 |
|---|---|---|---|---|
| Operating leases which expire | | | | |
| Within one year | - | **11** | - | 37 |
| In the second to fifth years inclusive | - | **192** | - | 127 |
| Over five years | - | - | - | - |
| | - | **203** | - | 164 |

### 21 Pension schemes

*Defined contribution scheme*

The Adams Foods Limited Stakeholders pension plan was opened on 1 August 2003, and is available to employees joining the company after that date and existing employees who declined membership of the defined benefit scheme The pension cost for the period represents contributions payable by the company to the scheme and amounted to £149,342 *(2010 £86,633)* There were no contributions outstanding at the beginning or end of the financial year

*Defined benefit scheme*

The Company contributes to a group defined benefit pension scheme, the assets of which are held in trustee administered funds The contributions made by the company are determined by a qualified actuary on the basis of triennial valuations using the projected unit method The scheme was closed to new members on 31 July 2003 The scheme is a final salary pension scheme

The most recent actuarial valuation of the scheme was carried out as at 31 December 2009 The review assumed that investment returns would exceed price inflation of 3 5% per annum by 2 45% per annum pre retirement and by 1 70% post retirement and that present and future pensionable salaries would increase at the rate of 1 25% per annum above the assumed increase in price inflation

At the date of the review the market value of the scheme's assets was £27,352 000 The market value of assets represented 87% of the benefits that had accrued to members and pensioners In order to reduce the deficit within the scheme, the company agreed to pay contributions of £300,000 per annum In addition, to meet the cost of future accrual of benefits the company pays contributions at a rate of 19 2% of pensionable salaries and employees contribute at a rate of 6 5% of pensionable salary

The company also operates an unfunded, unapproved, retirement benefit scheme As at 31 December 2011 the creditor associated with this scheme was £1,922,000 *(2010 £1,835,000)*

A full actuarial valuation was carried out at 31 December 2009 and updated to 31 December 2011 by a qualified independent actuary

## Notes *(continued)*

### 21 Pension schemes *(continued)*

| | 2011<br>£000 | 2010<br>£000 |
|---|---|---|
| Present value of funded defined benefit obligations | **(34,890)** | (31,943) |
| Fair value of plan assets | **31,735** | 31,277 |
| Deficit | **(3,155)** | (666) |
| Related deferred tax asset | **789** | 180 |
| Net liability | **(2,366)** | (486) |

Movements in present value of defined benefit obligation

| | 2011<br>£000 | 2010<br>£000 |
|---|---|---|
| At 31 December 2010 | **31,943** | 32,249 |
| Current service cost | **445** | 479 |
| Past service cost | **-** | - |
| Interest cost | **1,688** | 1,818 |
| Actuarial losses/(gains) | **2,016** | (1,466) |
| Contributions by members | **157** | 169 |
| Benefits paid | **(1,359)** | (1,306) |
| **At 31 December 2011** | **34,890** | 31,943 |

Movements in fair value of plan assets

| | 2011<br>£000 | 2010<br>£000 |
|---|---|---|
| At 31 December 2010 | **31,277** | 27,268 |
| Expected return on plan assets | **1,710** | 1,626 |
| Actuarial (losses)/gains | **(815)** | 2,649 |
| Contributions by employer | **765** | 871 |
| Contributions by members | **157** | 169 |
| Benefits paid | **(1,359)** | (1,306) |
| **At 31 December 2011** | **31,735** | 31,277 |

Expense recognised in the profit and loss account

| | 2011<br>£000 | 2010<br>£000 |
|---|---|---|
| Current service cost | **445** | 479 |
| Past service cost | **-** | - |
| Interest on defined benefit pension plan obligation | **1,688** | 1,818 |
| Expected return on defined benefit pension plan assets | **(1,710)** | (1,626) |
| **Total** | **423** | 671 |

## Notes *(continued)*

### 21 Pension schemes *(continued)*

The expense is recognised in the following line items in the profit and loss account

| | **2011** | 2010 |
|---|---|---|
| | **£000** | £000 |
| Cost of sales | **324** | 319 |
| Distribution expenses | **29** | 48 |
| Administrative expenses | **92** | 112 |
| Other finance (income)\costs | **(22)** | 192 |
| | **423** | 671 |

The total amount recognised in the statement of total recognised gains and losses in respect of actuarial gains and losses is £2,831,000 loss (*2010 £4,115,000 gain*)

Cumulative actuarial gains/losses reported in the statement of total recognised gains and losses for accounting periods ending on or after 22 June 2002 and subsequently included by prior year adjustment under paragraph 96 of FRS 17, are £8,549,00 loss *(2010 £5,718,000 loss)*

The fair value of the plan assets and the return on those assets were as follows

| | **2011** | 2010 |
|---|---|---|
| | **£000** | £000 |
| Equities | **19,993** | 21,665 |
| Corporate bonds | **9,520** | 7,556 |
| Property | **2,539** | 2,466 |
| Other | **(317)** | (410) |
| | **31,735** | 31,277 |

To develop the expected long-term rate of return on assets assumption, the company considered the current level of expected returns on risk free investments (primarily government bonds), the historical level of the risk premium associated with the other asset classes in which the portfolio is invested and the expectations for future returns of each asset class The expected return for each asset class was then weighted based on the target asset allocation to develop the expected long-term rate of return on assets assumption for the portfolio This resulted in the selection of the 5 99% assumption at 31 December 2010 and the 5 48% assumption at 31 December 2011

Principal actuarial assumptions (expressed as weighted averages) at the year-end were as follows

| | **2011** | 2010 |
|---|---|---|
| | **%** | % |
| Discount rate | **5 35%** | 5 70% |
| Expected rate of return on plan assets | **5 48%** | 5 99% |
| Future salary increases | **4 65%** | 5 00% |
| Inflation assumption | **3 40%** | 3 50% |
| Rate of increase in pensions in payment (LPI 5%) | **2 80%** | 3 50% |
| Rate of increase in pensions in payment (LPI 2 5%) | **2.20%** | 2 25% |

# Notes *(continued)*

## 21 Pension schemes *(continued)*

In valuing the liabilities of the pension fund at 31 December 2011, mortality assumptions have been made as indicated below If life expectancy had been changed to assume that all members of the fund lived for one year longer, the value of the reported liabilities at 31 December 2011 would have increased by £0 7m before deferred tax

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity The assumptions are equivalent to expecting a 65-year old to live for a number of years as follows

- Current pensioner aged 65 21 years (male), 24 years (female)
- Future retiree upon reaching 65 23 years (male), 26 years (female)

*History of plans*

The history of the plans for the current and prior periods is as follows

*Balance Sheet*

| | **2011** | 2010 | 2009 | 2008 | 2007 |
|---|---|---|---|---|---|
| | **£000** | £000 | £000 | £000 | £000 |
| Present value of scheme liabilities | **(34,890)** | (31,943) | (32,249) | (29,908) | (30,494) |
| Fair value of scheme assets | **31,735** | 31,277 | 27,268 | 22,952 | 28,507 |
| | **(3,155)** | (666) | (4,981) | (6,956) | (1,987) |

| Experience adjustments | **2011** | 2010 | 2009 | 2008 | 2007 |
|---|---|---|---|---|---|
| Experience adjustments on scheme liabilities (as a percentage of scheme liabilities) | **0%** | (7)% | 0% | 0% | (1)% |
| Experience adjustments on scheme assets (as a percentage of scheme assets) | **3%** | (8)% | (12)% | 31% | 0% |

The Company expects to contribute approximately £778,000 (*2010 £797,000*) to its defined benefit plans in the next financial year

## 22 Ultimate holding company and parent undertaking

The immediate parent undertaking is The Irish Dairy Board (UK) Limited Copies of the financial statements of The Irish Dairy Board (UK) Limited may be obtained from Sunnyhills Road, Leek, Staffordshire, ST13 5SP

The company s ultimate holding company is Irish Dairy Board Co-operative Limited, a company incorporated in the Republic of Ireland, which is the smallest and largest group to consolidate these financial statements Copies of the financial statements of Irish Dairy Board Co-operative Limited may be obtained from Grattan House, Mount Street Lower, Dublin