


Adams Foods Limited

Directors' Report and Financial Statements

Period Ended 27 December 2014


Company Registered Number: 00362221

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DIRECTORS AND OTHER INFORMATION

Board of Directors

D Buggy
J O'Flynn (resigned 20 April 2014)
D Evans (resigned 6 May 2015)
J Popiolkowski (resigned 6 May 2015)
A Jackson (resigned 6 May 2015)
K Lane
I Toal (resigned 30 September 2014)
M Roberts (resigned 3 February 2014)
N Scott (resigned 2 April 2014)
J Jordan (appointed 5 June 2015)
W Hunter (appointed 5 June 2015)
N Kennedy (appointed 5 June 2015)

Solicitors

Sills and Betteridge
46 Silver Street
Lincoln
LN2 1ED
United Kingdom

Secretary and Registered Office

W Hunter
Sunnyhills Road
Leek
Staffordshire
ST13 5SP
United Kingdom

Bankers

Bank of America
2 King Edwards Street
London
EC1A 1HQ
United Kingdom

Registered Number: 00362221

Auditors

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
One Spencer Dock
North Wall Quay
Dublin 1
Ireland

STRATEGIC REPORT
For the period ended 27 December 2014

The directors present their annual strategic report for the period ended 27 December 2014.

Principal activities

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

Review of the results for the period

The directors are satisfied with the results for the period. The company has a culture of continuous improvement and product development across a broad range of new products which will help the business to grow in the future.

The results for the company show a pre-tax profit of £1.6 million (2013: £2.3 million pre tax profit) for the period and sales of £387 million (2013: £369 million).

The company has net assets of £28.6 million (2013: £31.1 million) at the balance sheet date.

Business model

The company is driven by quality, innovation and customer service and aims to provide a "one-stop" solution for cheese, butter and other dairy products. The company operates a state of the art cheese packing facility at Leek in Staffordshire.

The company produces and purchases butter and cheese which is packed into multiple forms for selling into the retail own label and branded market, primarily in the UK. Cheese and butter products are purchased both from the company's parent (Ornua Co-operative Limited) and also a range of cheese supplies in the UK. Retail sales are supported by substantial marketing activities, notably for branded cheese products including Pilgrims Choice and MU.

Key customers include the major UK supermarkets alongside other retailers, companies in the food service industry and catering operators.

Business outlook and strategy

The company operates in a highly competitive and changing market. Business processes and strategies are in place to enable the company to anticipate, monitor and adapt to market changes within this environment through frequent and close engagement with key suppliers and customers and the careful management of costs at its facilities.

Principal risks and uncertainties

The key risks in the business are the management of raw material prices as a result of the uncertainties presented by a commodity market, as well as the retention of key customers in what is an every changing and ultra-competitive trading environment.

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

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 per tonne and pre tax profits.

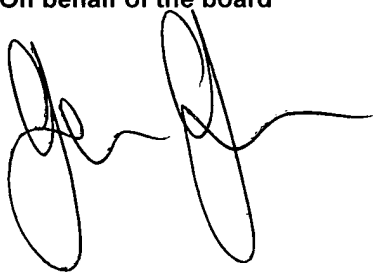
STRATEGIC REPORT - continued
For the period ended 27 December 2014

Future developments

The external commercial environment is expected to remain competitive. However, the recent investments in this modern packaging facility, together with the company's continued focus on product innovation, means that it is well placed to service the needs of its customers in the years ahead.

The directors are confident that the company will continue to add value and grow in the future through the strategic deployment of its resources, the utilisation of its facilities and engagement with both suppliers and customers to meet consumer expectations.

On behalf of the board

A handwritten signature in black ink, consisting of a series of loops and a long horizontal stroke extending to the right.

DIRECTORS' REPORT

The directors present their report and the audit financial statements of the company for the period ended 27 December 2014.

Directors' Responsibilities Statement

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 period. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 judgements and accounting 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;
- 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 are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Book of account

The measures taken by the directors to secure compliance with the company's obligation to keep proper books of account are the use of appropriate systems and procedures and employment of competent persons. The books of account are kept at Sunnyside Road, Leek, Staffordshire, ST13 5SP, United Kingdom.

Directors

The directors who held office during the period were as follows:

D Buggy	(resident in the Republic of Ireland)
J O'Flynn	(resident in the Republic of Ireland) (resigned 20 April 2014)
D Evans	(resigned 6 May 2015)
J Popiolkowski	(resigned 6 May 2015)
A Jackson	(resigned 6 May 2015)
K Lane	(resident in the Republic of Ireland)
I Toal	(resigned 30 September 2014)
M Roberts	(resigned 3 February 2014)
N Scott	(resigned 2 April 2014)
J Jordan	(resident in the Republic of Ireland) (appointed 5 June 2015)
W Hunter	(appointed 5 June 2015)
N Kennedy	(appointed 5 June 2015)

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.

Political and charitable contributions

The company made no political donations during the period (2013: £Nil). Donations to UK charities amounted to £nil (2013: £Nil) during the period.

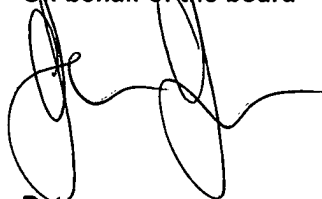
Dividends and transfers to reserves

The directors do not recommend a dividend payment (2013: £Nil). The retained profit for the period of £1,236,000 (2013: £1,804,000) has been transferred to reserves.

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.

On behalf of the board



Date:

27/8/2015



Independent auditors' report to the members of Adams Foods Limited

Report on the financial statements

Our opinion

In our opinion, Adams Foods Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 27 December 2014 and of its profit for the period then ended;
 - have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
 - have been prepared in accordance with the requirements of the Companies Act 2006.
-

What we have audited

Adams Foods Limited's financial statements comprise:

- Balance Sheet as at 27 December 2014;
- Profit and Loss for the period then ended;
- Reconciliation of Movements in Shareholders' Funds for the period then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006

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

*PricewaterhouseCoopers, One Spencer Dock, North Wall Quay, Dublin 1, Ireland, I.D.E. Box No. 137
T: +353 (0) 1 792 6000, F: +353 (0) 1 792 6200, www.pwc.ie*



Independent auditors' report to the members of Adams Food Ingredients Limited - continued

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Directors' Responsibilities Statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.



Independent auditors' report to the members of Adams Food Ingredients Limited - continued

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Directors' Report and Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

A handwritten signature in black ink, reading 'Siobhán Collier'.

**Siobhán Collier (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers
Chartered Accountants and Statutory Auditors
One Spencer Dock
North Wall Quay
Dublin 1
Ireland**

Date: 4 September 2015

PROFIT AND LOSS ACCOUNT
Period Ended 27 December 2014

	Note	2014 £'000	2013 £'000
Turnover	2	386,751	369,138
Cost of sales		<u>(360,179)</u>	<u>(339,026)</u>
Gross profit		26,572	30,112
Distribution costs		(7,738)	(8,911)
Administration expenses		(15,554)	(18,307)
Exceptional items	3	<u>(903)</u>	<u>-</u>
Operating profit	4	2,377	2,894
Interest payable and similar charges	7	(863)	(586)
Other finance (costs)		-	(104)
Other interest receivable and similar income	8	<u>78</u>	<u>62</u>
Profit on ordinary activities before taxation		1,592	2,266
Tax on profit on ordinary activities	9	<u>(356)</u>	<u>(462)</u>
Profit for the financial period		<u>1,236</u>	<u>1,804</u>

All amounts relate to continuing operations.

On behalf of the board



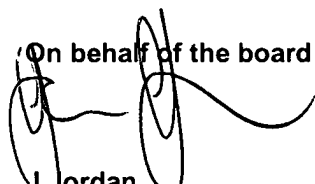
BALANCE SHEET
27 December 2014

	Note	2014 £'000	2013 £'000
Fixed assets			
Intangible assets	10	11,185	570
Tangible assets	11	<u>30,127</u>	<u>28,941</u>
		41,312	29,511
Current assets			
Stocks	12	51,673	33,568
Debtors	13	53,328	45,067
Cash at bank and in hand		<u>1,561</u>	<u>14,704</u>
		106,562	93,339
Creditors: amounts falling due within one year	14	<u>(112,234)</u>	<u>(88,470)</u>
Net current (liabilities)/assets		<u>(5,672)</u>	<u>4,869</u>
Total assets less current liabilities		35,640	34,380
Creditors: amounts falling due after more than one year	15	(100)	(100)
Deferred taxation	16	<u>(946)</u>	<u>(780)</u>
Net assets excluding pension liabilities		34,594	33,500
Pension liabilities	21	<u>(6,017)</u>	<u>(2,369)</u>
Net assets including pension liabilities		<u>28,577</u>	<u>31,131</u>
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	<u>25,442</u>	<u>27,996</u>
Shareholders' funds	19	<u>28,577</u>	<u>31,131</u>

The notes on pages 13 to 25 form part of the financial statements.

These financial statements were approved by the board of directors on 27/8/2015 and were signed on its behalf of:-

On behalf of the board


J. Jordan
Director

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
Period Ended 27 December 2014

	2014 £'000	2013 £'000
Profit for the financial period	1,236	1,804
Actuarial (loss)/gain recognised in the pension scheme	<u>(3,790)</u>	<u>180</u>
Total recognised (losses)/gains relating to the financial period	<u>(2,554)</u>	<u>1,984</u>

NOTES TO 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 Strategic Report and the Directors' Report on pages 3 to 6.

The financial statements have been prepared on the going concern basis which the directors believe to be appropriate for the following reasons.

The company's profit for the financial period is £1,236,000 (2013: profit £1,804,000). The Company has net assets of £28,577,000 (2013: £31,131,000).

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 Ornuia Co-operative Limited (formerly the 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 Ornuia Board Co-operative Limited, within which this company is included, can be obtained from the address given in note 22.

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.	

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.

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 year of the lease.

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.

NOTES TO THE FINANCIAL STATEMENTS - continued

1 Accounting policies - continued

Post-retirement benefits - continued

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 of 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.

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.

Taxation

The charge for taxation is based on the profit for the period 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.

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: 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 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 distribution of food products to customers during the year, which is recognised on delivery.

Cash and liquid resources

Cash comprises cash in hand and deposits repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS - continued

2 Analysis of turnover and profit on ordinary activities before taxation

	2014 £'000	2013 £'000
By geographical market		
United Kingdom	363,660	339,190
Rest of Europe	23,018	29,948
Rest of World	73	-
	<u>386,751</u>	<u>369,138</u>

3 Exceptional item

During 2014 the company incurred exceptional costs amounting to £903,000 in relation to restructuring costs (2013: £Nil).

4 Operating profit

	2014 £'000	2013 £'000
Operating profit is stated after charging:		
Depreciation of tangible fixed assets	2,908	3,684
Amortisation of goodwill	1,061	91
Hire of other assets - operating leases	<u>402</u>	<u>298</u>
Services provided by the auditor:		
- Fees payable for the audit	<u>30</u>	<u>39</u>

5 Remuneration of directors

	2014 £'000	2013 £'000
Directors' emoluments	876	1,251
Termination payments	329	-
Company contributions to money purchase pension schemes	<u>56</u>	<u>71</u>
	<u>1,261</u>	<u>1,322</u>

The aggregate of emoluments of the highest paid director was £460,115 (2013: £360,058), including a termination payment of £239,000. He is not a member of a defined retirement benefit scheme.

	Number of directors	
	2014	2013
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	<u>6</u>	<u>7</u>

NOTES TO THE FINANCIAL STATEMENTS - continued

6 Staff numbers and costs

The average number of persons employed by the company (including directors) during the period, analysed by category, was as follows:

	Number of employees	
	2014	2013
Production	615	564
Selling and distribution	26	32
Administration	34	33
	<u>675</u>	<u>649</u>

The aggregate payroll costs of these persons were as follows:

	2014	2013
	£'000	£'000
Wages and salaries	15,914	15,018
Social security costs	1,304	1,336
Other pension costs	860	679
	<u>18,078</u>	<u>17,033</u>

7 Interest payable and similar charges

	2014	2013
	£'000	£'000
On bank loans and overdrafts	280	64
On amounts due to group undertakings	583	522
	<u>863</u>	<u>586</u>

8 Other interest receivable and similar income

	2014	2013
	£'000	£'000
Bank interest	57	33
On amounts due from group undertakings	21	26
Other interest and similar income	-	3
	<u>78</u>	<u>62</u>

NOTES TO THE FINANCIAL STATEMENTS - continued

9 Taxation

Analysis of tax charge in period

	2014 £'000	2013 £'000
UK corporation tax		
Current tax on income for the period	156	492
Adjustments in respect of prior periods	-	63
Total current tax	<u>156</u>	<u>555</u>
Deferred tax		
Origination and reversal of timing differences	201	(76)
Effect of change in corporation tax rates	-	-
Adjustments in respect of prior periods	(1)	(17)
Total deferred tax charge	<u>200</u>	<u>(93)</u>
Tax on profit on ordinary activities	<u>356</u>	<u>462</u>

Factors affecting the tax charge for the current period

The current tax charge for the period is lower (2013: higher) than the standard rate of corporation tax in the UK (21.48%, 2013: 23.5%). The differences are explained below:

	2014 £'000	2013 £'000
Current tax reconciliation		
Profit on ordinary activities before tax	<u>1,592</u>	<u>2,266</u>
Current tax at 21.48% (2013: 23.25%)	342	527
Effects of:		
Expenses not deductible for tax purposes	247	284
Accelerated capital allowances and other timing differences	(217)	(41)
Adjustments to tax charge in respect of previous periods	-	63
Group relief not paid for	(216)	(278)
Total current tax charge (see above)	<u>156</u>	<u>555</u>

NOTES TO THE FINANCIAL STATEMENTS - continued

10 Intangible fixed assets

	Goodwill £'000
Cost	
At beginning of period	1,220
Additions	11,676
At end of period	<u>12,896</u>
Amortisation	
At beginning of period	650
Charge for period	1,061
At end of period	<u>1,711</u>
Net book value	
At end of period	<u>11,185</u>
At beginning of period	<u>570</u>

11 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 period	30,634	24,384	3,034	179	58,231
Additions	68	3,463	33	530	4,094
Transfers	-	179	-	(179)	-
Disposals	-	(480)	-	-	(480)
At end of period	<u>30,702</u>	<u>27,546</u>	<u>3,067</u>	<u>530</u>	<u>61,845</u>
Depreciation					
At beginning of period	7,457	19,268	2,565	-	29,290
Charge for period	575	2,140	193	-	2,908
Disposals	-	(480)	-	-	(480)
At end of period	<u>8,032</u>	<u>20,928</u>	<u>2,758</u>	<u>-</u>	<u>31,718</u>
Net book value					
At end of period	<u>22,670</u>	<u>6,618</u>	<u>309</u>	<u>530</u>	<u>30,127</u>
At beginning of the period	<u>23,177</u>	<u>5,116</u>	<u>469</u>	<u>179</u>	<u>28,941</u>

The gross value of land and buildings includes £29,286,000 (2013: £29,218,000) of depreciable assets.

NOTES TO THE FINANCIAL STATEMENTS - continued

12 Stocks

	2014 £'000	2013 £'000
Raw materials and consumables	45,443	27,886
Finished goods and goods for resale	6,230	5,682
	<u>51,673</u>	<u>33,568</u>

13 Debtors

	2014 £'000	2013 £'000
Trade debtors	39,720	30,765
Amounts owed from group undertakings	10,687	8,456
Other debtors	1,669	4,965
Corporation tax	285	-
Prepayments and accrued income	967	881
	<u>53,328</u>	<u>45,067</u>

Amounts owing from group undertakings do not attract interest, are unsecured and are repayable on demand.

14 Creditors: Amounts falling due within one year

	2014 £'000	2013 £'000
Bank overdraft	10,664	-
Trade creditors	25,301	19,882
Amounts owed to group undertakings	63,134	61,870
Other creditors	11,452	5,006
Accruals and deferred income	1,245	855
Taxation and social security	438	393
Corporation tax	-	464
	<u>112,234</u>	<u>88,470</u>

Amounts owed to group undertakings are unsecured, attracting interest between 0% and 1% above LIBOR and are repayable on demand.

15 Creditors: Amounts falling due after more than one year

	2014 £'000	2013 £'000
100,000 7% cumulative preference shares of £1 each	<u>100</u>	<u>100</u>

NOTES TO THE FINANCIAL STATEMENTS - continued

16 Deferred taxation

	2014 £'000	2013 £'000
At beginning of period	(780)	(898)
(Charge)/credit to the profit and loss account for the period	(200)	93
Deferred tax in respect of pension liabilities	34	25
At end of period	(946)	(780)

The elements of deferred taxation are as follows:

	2014 £'000	2013 £'000
Difference between accumulated depreciation and amortisation and capital allowances	1,423	1,272
Other timing differences	(477)	(492)
	(946)	(780)

17 Called up share capital

	2014 £'000	2013 £'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 (note 15)	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 & loss account £'000
At beginning of period	1,379	50	27,996
Profit for the financial period	-	-	1,236
Actuarial gain net of tax	-	-	(3,790)
At end of period	1,379	50	25,442

NOTES TO THE FINANCIAL STATEMENTS - continued

19 Reconciliation of movements in shareholders' funds

	2014 £'000	2013 £'000
Profit for the period	1,236	1,804
Actuarial loss recognised in the pension scheme	<u>(3,790)</u>	<u>180</u>
Net (decrease)/increase in shareholders' funds	(2,554)	1,984
Opening shareholders' funds	<u>31,131</u>	<u>29,147</u>
Closing shareholders' funds	<u>28,577</u>	<u>31,131</u>

20 Commitments

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

	2014 £'000	2013 £'000
Contracted	<u>65</u>	<u>91</u>

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

	2014 £'000	2013 £'000
Operating leases which expire:		
Within one year	57	38
In the second to fifth years inclusive	<u>231</u>	<u>214</u>
	<u>288</u>	<u>252</u>

21 Pension scheme

The company operates both a defined benefit pension scheme and a defined contribution pension scheme.

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 £379,168 (2013: £210,150). There were no contributions outstanding at the beginning or end of the financial period.

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.

NOTES TO THE FINANCIAL STATEMENTS - continued

21 Pension scheme - continued

Defined benefit scheme - continued

The most recent valuation of the scheme was carried out as at 31 December 2012. The review assumed that investment returns would exceed the average salary increased by 0.6% per annum pre retirement and be 0.15% less per annum post retirement and that present and future pensionable salaries would increase at the rate of 2.65% per annum above the assumed increase in price inflation of 1.25%.

At the date of the review the market value of the scheme's assets was £34m. The actuarial value of assets represented 85% of the benefits that had accrued to members and pensioners. In order to reduce the deficit within the scheme, the company has commenced contributions at the rate of 19.2% of pensionable salaries, whilst employee contributions were increased to 6.5% of pensionable salary. A further £300,000 contribution will also be made into the scheme each year.

The company also operates an unfunded, unapproved, retirement benefit scheme. As at 27 December 2014 the creditor associated with this scheme was £2,208,000 (2013: £2,108,000).

A full actuarial valuation was carried out at 31 December 2012 and projected forward to 27 December 2014 by a qualified independent actuary.

	2014 £'000	2013 £'000
Present value of funded defined benefit obligations	(46,575)	(40,317)
Fair value of plan assets	<u>39,051</u>	<u>37,355</u>
Deficit	(7,524)	(2,962)
Related deferred tax asset	<u>1,507</u>	<u>593</u>
Net liability	<u>(6,017)</u>	<u>(2,369)</u>

Movements in present value of defined benefit obligation

	2014 £'000	2013 £'000
At beginning of period	40,317	37,261
Current service cost	534	493
Interest cost	1,797	1,658
Actuarial losses	5,209	2,218
Contributions of members	130	136
Benefits paid	<u>(1,412)</u>	<u>(1,449)</u>
At end of period	<u>46,575</u>	<u>40,317</u>

NOTES TO THE FINANCIAL STATEMENTS - continued

21 Pension scheme - continued

Defined benefit scheme - continued

Movements in fair value of plan assets

	2014 £'000	2013 £'000
At beginning of period	37,355	33,850
Expected return on plan assets	1,797	1,553
Actuarial gains	471	2,263
Contributions by employer	710	1,002
Contributions of members	130	136
Benefits paid	(1,412)	(1,449)
At end of period	<u>39,051</u>	<u>37,355</u>

Expense recognised in the profit and loss account:

	2014 £'000	2013 £'000
Current service cost	534	493
Interest on defined benefit pension plan obligation	1,797	1,658
Expected return on defined benefit pension plan assets	(1,797)	(1,553)
Total	<u>534</u>	<u>598</u>

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

	2014 £'000	2013 £'000
Cost of sales	443	433
Distribution expenses	16	12
Administration expenses	75	48
Other finance costs	-	105
	<u>534</u>	<u>598</u>

The total amount recognised in the state of total recognised gains and losses in respect of the actuarial gains and losses is £3,790,000 loss (2013: £180,000 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.

NOTES TO THE FINANCIAL STATEMENTS - continued

21 Pension scheme - continued

Defined benefit scheme - continued

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

	2014 £'000	2013 £'000
Equities	25,765	24,014
Corporate bonds	9,675	8,823
Property	3,475	3,442
Other	136	1,076
	<u>39,051</u>	<u>37,355</u>

To develop the expected long term rate of return on assets assumption, the company considered the current level of expected returns on a 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 4.85 % assumption at 31 December 2013 and the 3.5% assumption at 27 December 2014.

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

	2014	2013
Discount rate	3.50%	4.50%
Expected rate of return on plan assets	3.50%	4.85%
Future salary increases	4.25%	4.65%
Inflation assumption	3.00%	3.40%
Rate of increase in pensions in payment (LPI 5%)	2.10%	2.50%
Rate of increase in pensions in payment (LPI 2.5%)	<u>1.85%</u>	<u>2.10%</u>

In valuing the liabilities of the pension fund at 27 December 2014, 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 long, the value of the reported liabilities at 27 December 2014 would have increased by £1.1m (2013: £0.8m) 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: 22.7 years (male), 25.1 years (female).
- Future retiree upon reaching 65: 24.8 years (male), 27.4 years (female).

NOTES TO THE FINANCIAL STATEMENTS - continued

21 Pension scheme - continued

Defined benefit scheme - continued

History of plans

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

Balance Sheet

	2014	2013	2012	2011	2010
Present value of scheme liabilities	(46,575)	(40,317)	(37,261)	(34,890)	(31,943)
Fair value of scheme assets	<u>39,051</u>	<u>37,355</u>	<u>33,850</u>	<u>31,735</u>	<u>31,277</u>
	<u>(7,524)</u>	<u>(2,962)</u>	<u>(3,411)</u>	<u>(3,155)</u>	<u>(666)</u>

Experience adjustments

	2014	2013	2012	2011	2010
Experience adjustments on scheme liabilities (as a percentage of scheme liabilities)	0%	0%	0%	0%	(7)%
Experience adjustments on scheme assets (as a percentage of scheme assets)	<u>1.2%</u>	<u>6%</u>	<u>(4)%</u>	<u>3%</u>	<u>(8)%</u>

The company expects to contribute approximately £0.7 million to its defined benefit plans in the next financial period.

22 Ultimate holding company and parent undertaking

The immediate parent undertaking is The Irish Dairy Board (UK) Limited. Copies of 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 Ornua 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 Ornua Co-operative Limited may be obtained from Grattan House, Mount Street, Lower, Dublin.