

**Adams Foods Limited (formerly The Kerrygold
Company Limited)**

**Directors' report and financial
statements**

Registered number 362221

For the year ended 1 January 2011



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Directors' report

The directors present their directors' report and financial statements for the year ended 1 January 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 profit of £5.9 million (2009 £6.7 million) for the year and sales of £260.5 million (2009 £232.9 million)

The company has net assets of £27.4 million (2009 £20.6 million) at the Balance Sheet date

The company changed its name from The Kerrygold Company Limited to Adams Foods Limited on 20 September 2010. The trade and assets of North Downs Dairy Co Limited, a fellow subsidiary of the Irish Dairy Board Co-operative Limited, were transferred to the company on 3 October 2010 at net book value.

Future Outlook

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

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.

Post Balance Sheet Event

Following the year-end, the Company received a claim from a customer in relation to the supply of contaminated cheese products. The contamination arose from an isolated incident and has not recurred subsequently. Negotiations with the customer in respect of the financial loss resulting from this contamination are currently ongoing and the potential liability associated with this claim cannot therefore be reliably estimated at present.

Dividends and transfers to reserves

The directors do not recommend a dividend payment (2009 £nil). The retained profit for the year of £3,796,000 (2009 £4,434,000) 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	
S Whitfield	
D Turvey	
D Evans	
J Popiolkowski	(Appointed 4 October 2010)
A Jackson	(Appointed 4 October 2010)
G Childs	(Appointed 4 October 2010)
K Lane	(resident in the Republic of Ireland, appointed 22 December 2010)
I Toal	(Appointed 12 July 2011)

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 43 days (2009 46 days) purchases in trade creditors.

Political and charitable contributions

The Company made no political donations during the year (2009 £nil). Donations to UK charities amounted to £2,629 (2009 £8,821).

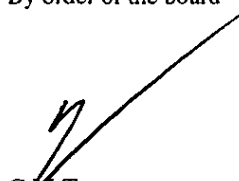
Disclosure of information to auditors

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 auditors are 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 auditors are aware of that information.

Auditors

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

By order of the board


C.M. Terry
Secretary

Sunnyhills Road
Leek
Staffordshire
ST13 5SP

28 September 2011

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 (formerly The Kerrygold Company Limited)

We have audited the financial statements of Adams Foods Limited (formerly The Kerrygold Company Limited) for the year ended 1 January 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 auditors

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 1 January 2011 and of its profit 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 (formerly The Kerrygold Company 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



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

28/09/2011

Profit and Loss Account
for the year ended 1 January 2011

	<i>Note</i>	2010 £000	2009 £000
Turnover	2	260,477	232,910
Cost of sales		(238,929)	(212,409)
Gross profit		21,548	20,501
Distribution costs		(7,293)	(6,258)
Administrative expenses		(7,780)	(6,711)
Operating profit	3	6,475	7,532
Interest payable and similar charges	7	(470)	(460)
Other interest receivable and similar income	6	100	101
Other finance costs	21	(192)	(446)
Profit on ordinary activities before taxation		5,913	6,727
Tax on profit on ordinary activities	8	(2,117)	(2,293)
Profit for the financial year		3,796	4,434

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 1 January 2011

	Note	2010 £000	2010 £000	2009 £000	2009 £000
Fixed assets					
Intangible assets	9		831		538
Tangible assets	10		33,871		28,388
Investments	11		17		17
			<u>34,719</u>		<u>28,943</u>
Current assets					
Stocks	12	44,332		18,784	
Debtors	13	38,103		17,347	
Cash at bank and in hand		2,764		17,646	
		<u>85,199</u>		<u>53,777</u>	
Creditors amounts falling due within one year	14	(91,235)		(57,850)	
Net current liabilities			(6,036)		(4,073)
Total assets less current liabilities			<u>28,683</u>		<u>24,870</u>
Creditors amounts falling due after more than one year	15		(100)		(100)
Provision for liabilities and charges	16		(690)		(536)
Net assets excluding pension liabilities			<u>27,893</u>		<u>24,234</u>
Pension liabilities	21		(486)		(3,586)
Net assets including pension liabilities			<u>27,407</u>		<u>20,648</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		24,272		17,513
Shareholders' funds			<u>27,407</u>		<u>20,648</u>

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

These financial statements were approved by the board of directors on 28 September 2011 and were signed on its behalf by

I Toan
 Director

Company Registration Number: 362221

Statement of Total Recognised Gains and Losses
for the year ended 1 January 2011

	2010 £000	2009 £000
Profit for the financial year	3,796	4,434
Actuarial gain recognised in the pension scheme	4,115	2,018
Deferred tax arising on gains in the pension scheme	(1,152)	(565)
Total recognised gains and losses relating to the financial year	6,759	5,887

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)

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

	2010 Turnover £000	2009 Turnover £000
<i>By geographical market</i>		
United Kingdom	236,128	218,141
Rest of Europe	22,429	14,769
Rest of World	1,920	-
	260,477	232,910

Notes (continued)

3 Notes to the profit and loss account

	2010 £000	2009 £000
<i>Profit on ordinary activities before taxation is stated after charging</i>		
Depreciation and other amounts written off tangible and intangible fixed assets		
Owned	3,388	3,128
Amortisation of goodwill	60	52
Loss on disposal of tangible fixed assets	10	-
Hire of other assets - operating leases	127	79

Auditors' remuneration

	2010 £000	2009 £000
Audit of these financial statements	19	23
Amounts receivable by the auditors and their associates in respect of Other services relating to taxation	31	41

4 Remuneration of directors

	2010 £000	2009 £000
Directors' emoluments	799	472
Company contributions to money purchase pension schemes	20	7
	819	479

The aggregate of emoluments of the highest paid director were £224,000 (2009 £213,000). He is a member of a defined benefit scheme, under which his accrued pension at the year end was £32,673 (2009 £30,000).

	Number of directors	
	2010	2009
Retirement benefits are accruing to the following number of directors under		
Defined benefit schemes	2	2
Money purchase schemes	5	2

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 2010	2009
Production	518	460
Selling and distribution	15	11
Administration	21	21
	<u>554</u>	<u>492</u>

The aggregate payroll costs of these persons were as follows

	2010 £000	2009 £000
Wages and salaries	11,540	9,465
Social security costs	924	747
Other pension costs	498	489
	<u>12,962</u>	<u>10,701</u>

6 Other interest receivable and similar income

	2010 £000	2009 £000
Bank interest	96	101
On amounts due from group undertakings	1	-
Other	3	-
	<u>100</u>	<u>101</u>

7 Interest payable and similar charges

	2010 £000	2009 £000
On bank loans and overdrafts	65	5
On amounts due to group undertakings	405	455
	<u>470</u>	<u>460</u>

Notes (continued)

8 Taxation

Analysis of charge in period

	2010 £000	2009 £000
<i>UK corporation tax</i>		
Current tax on income for the period	1,622	1,831
Adjustments in respect of prior periods	90	(330)
Total current tax	1,712	1,501
<i>Deferred tax (see note 16)</i>		
Origination/reversal of timing differences	299	252
Adjustment in respect of previous years	106	540
Total deferred tax	405	792
Tax on profit on ordinary activities	2,117	2,293

Factors affecting the tax charge for the current period

The current tax charge for the period is higher (2009 lower) than the standard rate of corporation tax in the UK 28% (2009 28%). The differences are explained below

	2010 £000	2009 £000
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	5,913	6,727
Current tax at 28 % (2009 28%)	1,656	1,883
<i>Effects of</i>		
Expenses not deductible for tax purposes	379	365
Accelerated capital allowances and other timing differences	(318)	(252)
Adjustments to tax charge in respect of previous periods	90	(330)
Group relief received not paid for	(95)	(165)
Total current tax charge (see above)	1,712	1,501

The Emergency Budget on 22 June 2010 announced that the UK corporation tax rate will reduce from 28% to 24% over a period of 4 years from 2011. The first reduction in the UK corporation tax rate from 28% to 27% was substantively enacted on 20 July 2010, to be effective from 1 April 2011. It has been further announced in the Budget on 23 March 2011 that the UK corporation tax rate would reduce to 26% from 1 April 2011, and that the rate will then reduce to 23% over the next four years.

The unrecognised deferred tax liability at 31 December 2010 (see note 16) has been calculated at the rate of 27%, that being the rate that was substantively enacted at the balance sheet date. It has not yet been possible to quantify the full anticipated effect of the announced further 4% rate reduction, although this will reduce the Company's future UK current tax charge and reduce the Company's deferred tax liabilities / assets accordingly.

Notes (continued)

9 Intangible fixed assets

	Goodwill £000
<i>Cost</i>	
At beginning of year	775
Transfers in from North Downs Dairies	445
At end of year	1,220
<i>Amortisation</i>	
At beginning of year	(237)
Charged in year	(60)
Transfers in from North Downs Dairies	(92)
At end of year	(389)
<i>Net book value</i>	
At 1 January 2011	831
At 2 January 2010	538

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
<i>Cost</i>					
At beginning of year	24,800	15,333	1,639	416	42,188
Additions	378	2,038	42	17	2,475
Transfers	-	416	-	(416)	-
Transfers in from North Downs	4,763	6,380	2,091	-	13,234
At end of year	29,941	24,167	3,772	17	57,897
<i>Depreciation</i>					
At beginning of year	1,552	10,994	1,254	-	13,800
Charge for year	1,245	1,864	279	-	3,388
Transfers in from North Downs	817	4,909	1,112	-	6,838
At end of year	3,614	17,767	2,645	-	24,026
<i>Net book value</i>					
At 1 January 2011	26,327	6,400	1,127	17	33,871
At 2 January 2010	23,248	4,339	385	416	28,388

The gross value of land and buildings includes £27,831,000 (2009 £24,275,000) 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
At beginning and end of year	17

12 Stocks

	2010 £000	2009 £000
Raw materials and consumables	38,147	14,156
Finished goods and goods for resale	6,185	4,628
	<u>44,332</u>	<u>18,784</u>

13 Debtors

	2010 £000	2009 £000
Trade debtors	32,904	13,108
Amounts owed from group undertakings	3,443	2,944
Other debtors	1,496	1,143
Prepayments and accrued income	260	152
	<u>38,103</u>	<u>17,347</u>

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

14 Creditors, amounts falling due within one year

	2010 £000	2009 £000
Bank loans and overdrafts	2,501	-
Trade creditors	15,142	9,795
Amounts owed to group undertakings	63,960	41,383
Corporation tax	816	724
Taxation and social security	483	310
Other creditors	6,173	4,474
Accruals and deferred income	2,160	1,164
	<u>91,235</u>	<u>57,850</u>

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

Notes (continued)

15 Creditors' amounts falling due after more than one year

	2010 £000	2009 £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 Provision for liabilities

The movement in the year is as follows

	Deferred taxation £000
At beginning of year	(536)
Charge to the profit and loss for the year	(405)
Transfer from North Downs Dairies	189
Transfer of pension liability	62
At end of year	(690)

The elements of deferred taxation are as follows

	2010 £000	2009 £000
Difference between accumulated depreciation and amortisation and capital allowances	(1,348)	(1,301)
Other timing differences	658	765
	(690)	(536)

Notes (continued)

17 Called up share capital

	2010 £000	2009 £000
<i>Allotted, called up and fully paid</i>		
17,057,918 ordinary shares of £0.10 each	1,706	1,706
100,000 7% cumulative preference shares of £1 each	100	100
	<u>1,806</u>	<u>1,806</u>
Shares classified as liabilities	100	100
Shares classified in shareholders' funds	<u>1,706</u>	<u>1,706</u>
	<u>1,806</u>	<u>1,806</u>

18 Share premium and reserves

	Share premium account £000	Other reserves £000	Profit and loss account £000
At 2 January 2010	1,379	50	17,513
Profit for the year	-	-	3,796
Actuarial gain recognised in the pension scheme	-	-	4,115
Deferred tax arising on gains in the pension scheme	-	-	(1,152)
At 1 January 2011	<u>1,379</u>	<u>50</u>	<u>24,272</u>

19 Reconciliation of movements in shareholders' funds

	2010 £000	2009 £000
Profit for the year	3,796	4,434
Actuarial gain recognised in the pension scheme	4,115	2,018
Deferred tax arising on gains in the pension scheme	(1,152)	(565)
Net increase in shareholders' funds	<u>6,759</u>	<u>5,887</u>
Opening shareholders' funds	20,648	14,761
Closing shareholders' funds	<u>27,407</u>	<u>20,648</u>

Notes (continued)

20 Commitments

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

	2010 £000	2009 £000
Contracted	368	884

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

	2010 Land and buildings £000	2010 Other £000	2009 Land and buildings £000	2009 Other £000
Operating leases which expire				
Within one year	-	37	-	8
In the second to fifth years inclusive	-	127	-	59
Over five years	-	-	-	-
	-	164	-	67

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 £86,633 (2009 £64,571). 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 valuation of the scheme was carried out as at 31 December 2009. The review assumed that investment returns would exceed the average salary increases by 1.2% per annum pre retirement and by 0.45% per annum 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 3.5%.

At the date of the review the market value of the scheme's assets was £27,352,000. The actuarial 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 has commenced contributions at a 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 1 January 2011 the creditor associated with this scheme was £1,835,000 (2009 £1,752,000).

A full actuarial valuation was carried out at 31 December 2009 and updated to 1 January 2011 by a qualified independent actuary.

Notes (continued)

21 Pension schemes (continued)

	2010 £000	2009 £000
Present value of funded defined benefit obligations	(31,943)	(32,249)
Fair value of plan assets	31,277	27,268
Deficit	(666)	(4,981)
Related deferred tax asset	180	1,395
Net liability	(486)	(3,586)
Movements in present value of defined benefit obligation		
	2010 £000	2009 £000
At 2 January 2010	32,249	29,908
Current service cost	479	469
Past service cost	-	23
Interest cost	1,818	1,658
Actuarial (gains)/losses	(1,466)	1,251
Contributions by members	169	177
Benefits paid	(1,306)	(1,237)
At 1 January 2011	31,943	32,249
Movements in fair value of plan assets		
	2010 £000	2009 £000
At 2 January 2010	27,268	22,952
Expected return on plan assets	1,626	1,212
Actuarial gains	2,649	3,269
Contributions by employer	871	895
Contributions by members	169	177
Benefits paid	(1,306)	(1,237)
At 1 January 2011	31,277	27,268
Expense recognised in the profit and loss account		
	2010 £000	2009 £000
Current service cost	479	469
Past service cost	-	23
Interest on defined benefit pension plan obligation	1,818	1,658
Expected return on defined benefit pension plan assets	(1,626)	(1,212)
Total	671	938

Notes (continued)

21 Pension schemes (continued)

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

	2010 £000	2009 £000
Cost of sales	319	346
Distribution expenses	48	45
Administrative expenses	112	101
Interest payable and similar charges	192	446
	<u>671</u>	<u>938</u>

The total amount recognised in the statement of total recognised gains and losses in respect of actuarial gains and losses is £4,115,000 gain (2009 £2,018,000 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 £5,718,000 loss (2009 £9,833,000 loss)

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

	2010 £000	2009 £000
Equities	21,665	19,551
Corporate bonds	7,556	5,893
Property	2,466	2,167
Other	(410)	(343)
	<u>31,277</u>	<u>27,268</u>

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 2009 and the 5.48% assumption at 31 December 2010.

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

	2010 %	2009 %
Discount rate	5.70%	5.60%
Expected rate of return on plan assets	5.48%	5.99%
Expected return on plan assets at beginning of the period	5.99%	5.30%
Future salary increases	5.00%	4.50%
Inflation assumption	3.50%	3.00%
Rate of increase in pensions in payment (LPI 5%)	3.50%	3.00%
Rate of increase in pensions in payment (LPI 2.5%)	2.25%	2.25%

Notes (continued)

21 Pension schemes (continued)

In valuing the liabilities of the pension fund at 1 January 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 1 January 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

	2010 £000	2009 £000	2008 £000	2007 £000	2006 £000
Present value of scheme liabilities	(31,943)	(32,249)	(29,908)	(30,494)	(30,703)
Fair value of scheme assets	31,277	27,268	22,952	28,507	27,123
	<u>(666)</u>	<u>(4,981)</u>	<u>(6,956)</u>	<u>(1,987)</u>	<u>(3,580)</u>

Experience adjustments

	2010	2009	2008	2007	2006
Experience adjustments on scheme liabilities (as a percentage of scheme liabilities)	7%	0%	0%	1%	0%
Experience adjustments on scheme assets (as a percentage of scheme assets)	8%	12%	(31)%	0%	5%

The Company expects to contribute approximately £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 (formerly Adams Foods 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.