

Adams Foods Limited

**Directors' report and financial
statements**

Registered number 362221

For the year ended 31 December 2012



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Directors' report

The directors present their directors' report and financial statements for the year ended 31 December 2012

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 £6.4m (2011 £1.1 million loss) for the year and sales of £321.4 million (2011 £322.4 million)

The company has net assets of £29.1 million (2011 £24.4 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, 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

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 (2011 £nil). The retained profit for the year of £4,965,000 (2011 £874,000 loss) has been transferred to reserves

Directors

The directors who held office during the year were as follows

C Fitzgerald	(Resigned on 20 December 2012) (Resident in the Republic of Ireland)
D Buggy	(Appointed 20 December 2012) (Resident in the Republic of Ireland)
J O'Flynn	(Resident in the Republic of Ireland)
C M Terry	(Resigned on 06 April 2012)
S Whitfield	(Resigned 6 th May 2013)
D Turvey	(Resigned on 13 April 2012)
D Evans	
J Popiolkowski	
A Jackson	
M Roberts	(Appointed 23 January 2012)
G Childs	
K Lane	(Resident in the Republic of Ireland)
I Toal	
N Scott	(Appointed 05 March 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 50 days (2011 48 days) purchases in trade creditors.

Political and charitable contributions

The Company made no political donations during the year (2011 £nil). Donations to UK charities amounted to £3,630 (2011 £2,716).

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



N Scott
Secretary

Sunnyhills Road
Leek
Staffordshire
ST13 5SP

3 July 2013

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 2012 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 auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

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 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 Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

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 2012 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

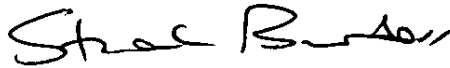
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent auditor's report to the members of Adams Foods Limited *(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 (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Registered Auditor
St James Square
Manchester
M2 6DS

31/07/17

Profit and Loss Account
for the year ended 31 December 2012

	<i>Note</i>	2012 £000	2011 £000
Turnover	2	321,420	322,411
Cost of sales		(291,100)	(299,936)
Gross profit		30,320	22,475
Distribution costs		(8,191)	(9,547)
Administrative expenses— including exceptional income of £2,303,000 (2011 £2,960,000 cost)	3	(14,909)	(13,511)
Operating profit/(loss)	3	7,220	(583)
Loss on disposal of investment		0	(13)
Other interest receivable and similar income	6	210	170
Interest payable and similar charges	7	(776)	(695)
Other finance (costs)/income	20	(295)	22
Profit/(loss) on ordinary activities before taxation		6,359	(1,099)
Tax on profit/(loss) on ordinary activities	8	(1,394)	225
Profit/(loss) for the financial year		4,965	(874)

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

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

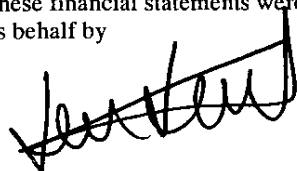
Balance Sheet
At 31 December 2012

	<i>Note</i>	2012 £000	2012 £000	2011 £000	2011 £000
Fixed assets					
Intangible assets	9		661		746
Tangible assets	10		29,047		30,388
			29,708		31,134
Current assets					
Stocks	11	37,748		41,359	
Debtors	12	38,153		43,273	
Cash at bank and in hand		11,774		7,988	
		87,675		92,620	
Creditors: amounts falling due within one year	13	(84,612)		(96,461)	
Net current assets/(liabilities)			3,063		(3,841)
Total assets less current liabilities			32,771		27,293
Creditors: amounts falling due after more than one year	14		(100)		(100)
Deferred taxation	15		(898)		(422)
Net assets excluding pension liabilities			31,773		26,771
Pension liabilities	20		(2,626)		(2,366)
Net assets including pension liabilities			29,147		24,405
Capital and reserves					
Called up share capital	16		1,706		1,706
Share premium account	17		1,379		1,379
Other reserves	17		50		50
Profit and loss account	17		26,012		21,270
Shareholders' funds			29,147		24,405

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

These financial statements were approved by the board of directors on its behalf by

3 July 2013 and were signed on



I Toal
Director

Company Registration Number. 362221

Statement of Total Recognised Gains and Losses
for the year ended 31 December 2012

	2012	2011
	£000	£000
Profit/(loss) for the financial year	4,965	(874)
Actuarial loss recognised in the pension scheme	(188)	(2,831)
Deferred tax (loss)/gain arising on the loss in the pension scheme	(35)	703
Total recognised gains/(losses) relating to the financial year	4,742	(3,002)

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. These accounts are made up to the end of the financial period, which is within one week of 31 December. The accounts have therefore been prepared for the 52 week period ended 29 December 2012.

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 21.

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.

2 Analysis of turnover

	2012 Turnover £000	2011 Turnover £000
<i>By geographical market</i>		
United Kingdom	295,525	301,535
Rest of Europe	25,895	19,682
Rest of World	-	1,194
	321,420	322,411

Notes (continued)

3 Notes to the profit and loss account

	2012 £000	2011 £000
<i>Profit/(loss) on ordinary activities before taxation is stated after charging</i>		
Depreciation and other amounts written off tangible and intangible fixed assets		
Owned	3,810	3,900
Amortisation of goodwill	85	85
Hire of other assets - operating leases	263	226
Exceptional costs – product claims	-	1,271
Exceptional costs – restructuring costs	-	2,960
Exceptional income – insurance claim proceeds	2,303	-

The insurance claim proceeds relate to the fire at the company's Wincanton production facility in September 2011

The tax charge on the exceptional items is £564,000 (2011 credit £996,000)

Exceptional costs in 2011 relate to product claims and restructuring costs

The 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 the 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

Auditor's remuneration

	2012 £000	2011 £000
Audit of these financial statements	39	39
Amounts receivable by the auditor and their associates in respect of Other services relating to taxation	12	12

4 Remuneration of directors

	2012 £000	2011 £000
Directors' emoluments	1,482	1,043
Company contributions to money purchase pension schemes	80	56
	1,562	1,099

The aggregate of emoluments of the highest paid director were £297,680 (2011 £178,665) He is a not a member of a defined benefit scheme

	Number of directors 2012	2011
Retirement benefits are accruing to the following number of directors under		
Defined benefit schemes	1	2
Money purchase schemes	9	7
		12

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	
	2012	2011
Production	564	648
Selling and distribution	30	28
Administration	30	31
	<u>624</u>	<u>707</u>

The aggregate payroll costs of these persons were as follows

	2012	2011
	£000	£000
Wages and salaries	13,157	14,794
Social security costs	1,248	1,278
Other pension costs	613	532
	<u>15,018</u>	<u>16,604</u>

6 Other interest receivable and similar income

	2012	2011
	£000	£000
Bank interest	169	153
On amounts due from group undertakings	31	17
Other	10	-
	<u>210</u>	<u>170</u>

7 Interest payable and similar charges

	2012	2011
	£000	£000
On bank loans and overdrafts	-	2
On amounts due to group undertakings	776	693
	<u>776</u>	<u>695</u>

Notes (continued)

8 Taxation

Analysis of charge/(credit) in period

	2012 £000	2011 £000
<i>UK corporation tax</i>		
Current tax on income/(loss) for the period	1,121	-
Adjustments in respect of prior periods	(172)	(54)
Total current tax	949	(54)
<i>Deferred tax (see note 15)</i>		
Origination/reversal of timing differences	565	(132)
Effect of change in corporation tax rates	(83)	(43)
Adjustment in respect of previous years	(37)	4
Total deferred tax	445	(171)
Tax on profit/(loss) on ordinary activities	1,394	(225)

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

The current tax charge/(credit) for the period is lower (2011 lower) than the standard rate of corporation tax in the UK 24.5% (2011 26.5%). The differences are explained below

	2012 £000	2011 £000
<i>Current tax reconciliation</i>		
Profit/(loss) on ordinary activities before tax	6,359	(1,099)
Current tax at 24.5% (2011 26.5%)	1,558	(291)
<i>Effects of</i>		
Expenses not deductible for tax purposes	249	477
Accelerated capital allowances and other timing differences	(565)	132
Adjustments to tax charge in respect of previous periods	(172)	(54)
Group relief received not paid for	(121)	(318)
Total current tax charge/(credit) (see above)	949	(54)

A reduction in the UK corporation tax 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 3 July 2012 respectively. This will reduce the company's future current tax charge accordingly. The deferred tax liability at 31 December 2012 has been calculated based on the rate of 23% substantively enacted at the balance sheet date.

The March 2013 Budget announced that the rate will further reduce to 20% by 2015 in addition to the planned reduction to 21% by 2014 previously announced in the December 2012 Autumn Statement. It has not yet been possible to quantify the full anticipated effect of the announced further 3% rate reduction, although this will further reduce the company's future current tax charge and reduce the company's deferred tax liability accordingly.

Notes (continued)

9 Intangible fixed assets

	Goodwill £000
Cost	
At beginning and end of year	1,220
Amortisation	
At beginning of year	(474)
Charged in year	(85)
At end of year	(559)
Net book value	
At 31 December 2012	661
At 31 December 2011	746

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	28,923	25,201	3,539	226	57,889
Additions	100	1,263	306	953	2,622
Transfers	-	60	166	(226)	-
Disposals	-	(4,457)	(1,003)	-	(5,460)
At end of year	29,023	22,067	3,008	953	55,051
Depreciation					
At beginning of year	4,826	19,813	2,862	-	27,501
Charge for year	1,306	2,144	360	-	3,810
Disposals	-	(4,380)	(927)	-	(5,307)
At end of year	6,132	17,577	2,295	-	26,004
Net book value					
At 31 December 2012	22,891	4,490	713	953	29,047
At 31 December 2011	24,097	5,388	677	226	30,388

The gross value of land and buildings includes £27,607,000 (2011 £27,507,000) 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 Stocks

	2012 £000	2011 £000
Raw materials and consumables	31,431	35,278
Finished goods and goods for resale	6,317	6,081
	<u>37,748</u>	<u>41,359</u>

12 Debtors

	2012 £000	2011 £000
Trade debtors	25,207	30,936
Corporation tax	-	634
Amounts owed from group undertakings	10,030	5,129
Other debtors	2,115	6,107
Prepayments and accrued income	801	467
	<u>38,153</u>	<u>43,273</u>

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

13 Creditors: amounts falling due within one year

	2012 £000	2011 £000
Trade creditors	25,772	16,761
Amounts owed to group undertakings	52,394	64,245
Corporation tax	187	-
Taxation and social security	464	472
Other creditors	4,878	13,382
Accruals and deferred income	917	1,601
	<u>84,612</u>	<u>96,461</u>

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

Notes (continued)

14 Creditors: amounts falling due after more than one year

	2012 £000	2011 £000
100,000 7% cumulative preference shares of £1 each	<u>100</u>	<u>100</u>

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.

15 Deferred taxation

The movement in the year is as follows

	£000
At beginning of year	(422)
Charge to the profit and loss for the year	(445)
Deferred tax in respect of pension liabilities	(31)
At end of year	<u>(898)</u>

The elements of deferred taxation are as follows

	2012 £000	2011 £000
Difference between accumulated depreciation and amortisation and capital allowances	(1,419)	(1,255)
Other timing differences	<u>521</u>	<u>833</u>
	<u>(898)</u>	<u>(422)</u>

Notes (continued)

16 Called up share capital

	2012 £000	2011 £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>

17 Share premium and reserves

	Share premium account £000	Other reserves £000	Profit and loss account £000
At 31 December 2011	1,379	50	21,270
Profit for the year	-	-	4,965
Actuarial loss recognised in the pension scheme	-	-	(188)
Deferred tax arising on loss in the pension scheme	-	-	(35)
At 31 December 2012	<u>1,379</u>	<u>50</u>	<u>26,012</u>

18 Reconciliation of movements in shareholders' funds

	2012 £000	2011 £000
Profit/(loss) for the year	4,965	(874)
Actuarial loss recognised in the pension scheme	(188)	(2,831)
Deferred tax (loss)/gain arising on losses in the pension scheme	(35)	703
Net increase/(decrease) in shareholders' funds	<u>4,742</u>	<u>(3,002)</u>
Opening shareholders' funds	24,405	27,407
Closing shareholders' funds	<u>29,147</u>	<u>24,405</u>

Notes (continued)

19 Commitments

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

	2012 £000	2011 £000
Contracted	2,422	638

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

	2012 Land and buildings £000	2012 Other £000	2011 Land and buildings £000	2011 Other £000
Operating leases which expire				
Within one year	-	29	-	11
In the second to fifth years inclusive	-	203	-	192
	-	232	-	203

20 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 £186,519 (2011 £149,342). 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 of 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 31 December 2012 the creditor associated with this scheme was £2,013,000 (2011 £1,922,000).

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

Notes (continued)

20 Pension schemes (continued)

Defined benefit scheme (continued)

	2012 £000	2011 £000
Present value of funded defined benefit obligations	(37,261)	(34,890)
Fair value of plan assets	33,850	31,735
Deficit	(3,411)	(3,155)
Related deferred tax asset	785	789
Net liability	(2,626)	(2,366)

Movements in present value of defined benefit obligation

	2012 £000	2011 £000
At 31 December 2011	34,890	31,943
Current service cost	444	445
Past service cost	39	-
Interest cost	1,623	1,688
Actuarial losses	1,487	2,016
Contributions by members	139	157
Benefits paid	(1,361)	(1,359)
At 31 December 2012	37,261	34,890

Movements in fair value of plan assets

	2012 £000	2011 £000
At 31 December 2011	31,735	31,277
Expected return on plan assets	1,328	1,710
Actuarial gains/(losses)	1,299	(815)
Contributions by employer	710	765
Contributions by members	139	157
Benefits paid	(1,361)	(1,359)
At 31 December 2012	33,850	31,735

Expense recognised in the profit and loss account

	2012 £000	2011 £000
Current service cost	444	445
Past service cost	39	-
Interest on defined benefit pension plan obligation	1,623	1,688
Expected return on defined benefit pension plan assets	(1,328)	(1,710)
Total	778	423

Notes (continued)

20 Pension schemes (continued)

Defined benefit scheme (continued)

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

	2012 £000	2011 £000
Cost of sales	403	324
Distribution expenses	24	29
Administrative expenses	56	92
Other finance costs/(income)	295	(22)
	<u>778</u>	<u>423</u>

The total amount recognised in the statement of total recognised gains and losses in respect of actuarial gains and losses is £188,000 loss (2011 £2,831,000 loss)

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 £8,737,000 loss (2011 £8,549,000 loss)

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

	2012 £000	2011 £000
Equities	22,035	19,993
Corporate bonds	9,186	9,520
Property	2,564	2,539
Other	65	(317)
	<u>33,850</u>	<u>31,735</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 5.48% assumption at 31 December 2011 and the 4.63% assumption at 31 December 2012.

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

	2012 %	2011 %
Discount rate	4.50%	5.35%
Expected rate of return on plan assets	4.63%	5.48%
Future salary increases	4.15%	4.65%
Inflation assumption	2.90%	3.40%
Rate of increase in pensions in payment (LPI 5%)	2.30%	2.80%
Rate of increase in pensions in payment (LPI 2.5%)	2.10%	2.20%

Notes (continued)

20 Pension schemes (continued)

Defined benefit scheme (continued)

In valuing the liabilities of the pension fund at 31 December 2012, 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 2012 would have increased by £0.8m (2011 £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

	2012 £000	2011 £000	2010 £000	2009 £000	2008 £000
Present value of scheme liabilities	(37,261)	(34,890)	(31,943)	(32,249)	(29,908)
Fair value of scheme assets	33,850	31,735	31,277	27,268	22,952
	<u>(3,411)</u>	<u>(3,155)</u>	<u>(666)</u>	<u>(4,981)</u>	<u>(6,956)</u>
Experience adjustments					
	2012	2011	2010	2009	2008
Experience adjustments on scheme liabilities (as a percentage of scheme liabilities)	0%	0%	(7)%	0%	0%
Experience adjustments on scheme assets (as a percentage of scheme assets)	<u>(4)%</u>	<u>3%</u>	<u>(8)%</u>	<u>(12)%</u>	<u>31%</u>

The Company expects to contribute approximately £760,000 to its defined benefit plans in the next financial year.

21 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.