

Financial Statements

SHS Sales & Marketing (GB) Limited (formerly Farmlea Foods Limited)

For the period from 31 December 2011 to 28 December 2012



Registered number: NI016607



Company Information

Directors	Mrs B A M Salters Mr J Sloan Mr R M Howard Mr P J Butler Mr A W Richmond
Company secretary	Mr A W Richmond
Registered number	NI016607
Registered office	SHS House 199 Airport Road West Belfast BT3 9ED
Independent auditor	Grant Thornton UK LLP Chartered Accountants & Statutory Auditor Clarence West Building 2 Clarence Street West Belfast BT2 7GP
Bankers	Danske Bank Donegall Square West Belfast BT1 6SJ
Solicitors	Pinsent Masons Arnott House 12-16 Bridge Street Belfast BT1 1LS

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Directors' Report

For the period from 31 December 2011 to 28 December 2012

The directors present their report and the financial statements for the period from 31 December 2011 to 28 December 2012.

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 year. 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 judgments 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.

Principal activities

The company's principal activities are the marketing of Farmlea branded food products and the marketing and distribution of drinks, grocery and healthcare products.

Business review

There were no significant changes in the activities of the company during the year.

The directors consider that in the light of prevailing economic and market conditions, both the results for the year and the prospects for the future are satisfactory.

Results

The profit for the period, after taxation, amounted to £3,768,695 (2011 - £2,700,728).

Directors' Report

For the period from 31 December 2011 to 28 December 2012

Directors

The directors who served during the period were:

Mrs B A M Salters

Mr J Sloan

Mr R M Howard

Mr P J Buter

Mr A W Richmond

Principal risks and uncertainties

Financial risk management objectives and policies

The company uses various financial instruments including cash, bank loans or overdrafts, and various items, such as trade debtors and trade creditors that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the company's operations.

The existence of these financial instruments exposes the company to a number of financial risks, which are described in more detail below.

The main risks arising from the company's financial instruments are interest rate risk, currency risk, credit risk and liquidity risk.

The directors review and agree policies for managing each of these risks and they are summarised below. These policies have remained unchanged from previous years.

Liquidity risk

The company seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs. Short-term flexibility is achieved by holding cash balances, overdraft facilities and commercial finance facilities.

Currency risk

The company is exposed to translation and transaction foreign exchange risk. In relation to this risk, the company principally uses group level foreign currency contracts with financial institutions in order to hedge against adverse movements in exchange rates.

Interest rate risk

The company finances its operations through a mixture of retained profits and bank borrowings. The company exposure to interest rate fluctuations on its borrowings is managed through annual review of its borrowing requirements.

Credit risk

The company's principal financial assets are cash and debtors. The credit risk associated with cash is limited. The principal credit risk arises therefore from debtors.

In order to manage credit risk the directors assess potential customers based on a mixture of past history, credit references, and industry knowledge, and amounts owed are reviewed and followed up on a regular basis.

Price and market risk

As the company does not normally make investments, price risk is considered inconsequential.

Future developments

The directors intend to continue the management policies of innovation and development.

Directors' Report

For the period from 31 December 2011 to 28 December 2012

Provision of information to auditor

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the company's auditor in connection with preparing its report and to establish that the company's auditor is aware of that information.

Auditor

The auditor, Grant Thornton UK LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 26 April 2013 and signed on its behalf.

A handwritten signature in black ink, appearing to be 'A W Richmond', with a long horizontal flourish extending to the right.

Mr A W Richmond
Director

Independent Auditor's Report to the Members of SHS Sales & Marketing (GB) Limited (formerly Farmlea Foods Limited)

We have audited the financial statements of SHS Sales & Marketing (GB) Limited (formerly Farmlea Foods Limited) for the period from 31 December 2011 to 28 December 2012, which comprise the profit and loss account, the balance sheet and the related notes. 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).

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, 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 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 Auditing Practices Board's website 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 28 December 2012 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.

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.

Independent Auditor's Report to the Members of SHS Sales & Marketing (GB) Limited (formerly Farmlea Foods Limited)

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.



Timothy Lincoln (Senior statutory auditor)
for and on behalf of
Grant Thornton UK LLP
Chartered Accountants
Statutory Auditor

10th Floor
Clarence West Building
2 Clarence Street West
Belfast
BT2 7GP

26 April 2013

Profit and Loss Account

For the period from 31 December 2011 to 28 December 2012

		Period from 31 December 2011 to 28 December 2012 £	Period from 01 January 2011 to 30 December 2011 £
	Note		
Turnover	1,2	295,179,389	317,405,870
Cost of sales		(278,692,320)	(300,888,280)
Gross profit		16,487,069	16,517,590
Distribution costs		(268,024)	(191,346)
Administrative expenses		(11,237,088)	(10,861,092)
Operating profit	3	4,981,957	5,465,152
Exceptional items			
Other exceptional items	8	-	(1,800,704)
Profit on ordinary activities before interest		4,981,957	3,664,448
Interest receivable and similar income		29,671	422
Interest payable and similar charges	7	(1,471)	-
Profit on ordinary activities before taxation		5,010,157	3,664,870
Tax on profit on ordinary activities	9	(1,241,462)	(964,142)
Profit for the financial period	15	3,768,695	2,700,728

All amounts relate to continuing operations.

There were no recognised gains and losses for 2012 or 2011 other than those included in the profit and loss account.

The notes on pages 8 to 17 form part of these financial statements.

Balance Sheet

As at 28 December 2012

	Note	28 December 2012 £	30 December 2011 £
Fixed assets			
Tangible assets	10	99,224	121,782
Current assets			
Stocks	11	10,839,487	11,148,214
Debtors	12	70,371,723	81,907,421
Cash at bank		486,411	2,441,721
		<u>81,697,621</u>	<u>95,497,356</u>
Creditors: amounts falling due within one year	13	<u>(69,981,490)</u>	<u>(84,572,478)</u>
Net current assets		<u>11,716,131</u>	<u>10,924,878</u>
Net assets		<u><u>11,815,355</u></u>	<u><u>11,046,660</u></u>
Capital and reserves			
Called up share capital	14	50,000	50,000
Profit and loss account	15	<u>11,765,355</u>	<u>10,996,660</u>
Shareholders' funds	16	<u><u>11,815,355</u></u>	<u><u>11,046,660</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 26 April 2013.

Michael Howard

Mr R M Howard
Director

The notes on pages 8 to 17 form part of these financial statements.

Notes to the Financial Statements

For the period from 31 December 2011 to 28 December 2012

1. Accounting Policies

1.1 Basis of preparation of financial statements

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

1.2 Going concern

The directors have assessed, based on the anticipated activities of the company, that there are adequate resources in place to meet the ongoing costs of the business for a minimum of 12 months from the date of signing the financial statements. In coming to this conclusion, the directors have assessed the entity's current financing arrangements and liquid resources. For this reason the financial statements have been prepared on a going concern basis which presumes the realisation of assets and liabilities in the normal course of business.

1.3 Cash flow

The company, being a subsidiary undertaking where 90% or more of the voting rights are controlled within the group whose consolidated financial statements are publicly available, is exempt from the requirement to draw up a cash flow statement in accordance with FRS 1.

1.4 Turnover

The turnover shown in the profit and loss account represents income from the marketing of Farnlea branded food products and the marketing and distribution of drinks, grocery and healthcare products, exclusive of Value Added Tax.

Turnover is recognised upon the delivery of goods.

1.5 Goodwill

Positive purchased goodwill arising on acquisitions is capitalised, classified as an asset on the balance sheet and amortised over its estimated useful life up to a maximum of 20 years. This length of time is presumed to be the maximum useful life of purchased goodwill because it is difficult to make projections beyond this period. Goodwill is reviewed for impairment at the end of the first full financial year following each acquisition and subsequently as and when necessary if circumstances emerge that indicate that the carrying value may not be recoverable. The existing goodwill is amortised over a period of 20 years.

1.6 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Motor vehicles	-	25% straight line
Fixtures & fittings	-	10-15% straight line
Office equipment	-	10-20% straight line

Notes to the Financial Statements

For the period from 31 December 2011 to 28 December 2012

1. Accounting Policies (continued)

1.7 Operating leases

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

1.8 Stocks

Stocks are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks.

1.9 Foreign currencies

Monetary assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

1.10 Pensions

Retirement benefits to employees of the company are provided by the SHS Group Limited pension scheme. The company's staff comprise a percentage of the overall membership of this scheme. The company has no influence on the level of contributions and is unable to identify its share of underlying liabilities or assets in the scheme. As such payments to the scheme are accounted for by the company as a defined contribution scheme in line with the requirements of FRS 17 - Retirement Benefits. Contributions to the scheme are charged to the profit and loss account. The contributions are estimated so as to spread the cost of pensions over employees working lives with the company in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by qualified actuaries on the basis of triennial valuations using the projected benefits valuation method.

SHS Group Limited has fully complied with the accounting and disclosure requirements of FRS 17 - Retirement Benefits.

The company also operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the company. The annual contributions payable are charged to the profit and loss account

Notes to the Financial Statements

For the period from 31 December 2011 to 28 December 2012

1. Accounting Policies (continued)

1.11 Financial Instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities.

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the balance sheet. Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability.

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited direct to equity.

2. Turnover

The whole of the turnover is attributable to the principal activities of the company.

All turnover arose within the United Kingdom.

3. Operating profit

The operating profit is stated after charging/(crediting):

	Period from 31 December 2011 to 28 December 2012 £	Period from 01 January 2011 to 30 December 2011 £
Amortisation - intangible fixed assets	-	99,999
Depreciation of tangible fixed assets:		
- owned by the company	22,558	30,760
Operating lease rentals:		
- other operating leases	398,491	383,771
(Profit) / loss on foreign exchange	(119,947)	97,163
Loss on disposal of fixed assets	-	9,286

Notes to the Financial Statements

For the period from 31 December 2011 to 28 December 2012

4. Auditors' remuneration

	Period from 31 December 2011 to 28 December 2012 £	Period from 01 January 2011 to 30 December 2011 £
Fees payable to the company's auditor in respect of:		
- audit of the company's annual accounts	10,800	10,500
- non-audit fees	1,450	1,450
	<u>12,250</u>	<u>11,950</u>

5. Staff costs

Staff costs, including directors' remuneration, were as follows:

	Period from 31 December 2011 to 28 December 2012 £	Period from 01 January 2011 to 30 December 2011 £
Wages and salaries	6,208,609	6,240,305
Social security costs	661,520	503,031
Other pension costs	324,306	294,106
	<u>7,194,435</u>	<u>7,037,442</u>

The average monthly number of employees, including the directors, during the period was as follows:

	Period from 31 December 2011 to 28 December 2012 No.	Period from 01 January 2011 to 30 December 2011 No.
Number of distribution staff	123	114
Number of administrative staff	30	27
	<u>153</u>	<u>141</u>

Notes to the Financial Statements

For the period from 31 December 2011 to 28 December 2012

6. Directors' remuneration

	Period from 31 December 2011 to 28 December 2012 £	Period from 01 January 2011 to 30 December 2011 £
Emoluments	<u>481,464</u>	<u>532,731</u>
Company pension contributions to defined contribution pension schemes	<u>17,974</u>	<u>17,402</u>

During the period retirement benefits were accruing to 1 director (2011 - 2) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £231,487 (2011 - £245,392).

7. Interest payable

	Period from 31 December 2011 to 28 December 2012 £	Period from 01 January 2011 to 30 December 2011 £
On bank loans and overdrafts	<u>1,471</u>	<u>-</u>

8. Exceptional items

	Period from 31 December 2011 to 28 December 2012 £	Period from 01 January 2011 to 30 December 2011 £
Goodwill written off	<u>-</u>	<u>1,800,704</u>

Notes to the Financial Statements

For the period from 31 December 2011 to 28 December 2012

9. Taxation

	Period from 31 December 2011 to 28 December 2012 £	Period from 01 January 2011 to 30 December 2011 £
UK corporation tax charge on profit for the period	<u>1,241,462</u>	<u>964,142</u>

Factors affecting tax charge for the period

The tax assessed for the period is lower than (2011 - lower than) the standard rate of corporation tax in the UK of 24.5% (2011 - 26.49%). The differences are explained below:

	Period from 31 December 2011 to 28 December 2012 £	Period from 01 January 2011 to 30 December 2011 £
Profit on ordinary activities before tax	<u>5,010,157</u>	<u>3,664,870</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 24.5% (2011 - 26.49%)	1,227,553	970,845
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	14,781	16,602
Capital allowances for period in excess of depreciation	(847)	(1,403)
Adjustments to tax charge in respect of prior periods	-	(21,902)
Other timing differences leading to an increase (decrease) in taxation	(25)	-
Claim in respect of group relief	1,045,356	297,330
Payment in respect of group relief	(1,045,356)	(297,330)
Current tax charge for the period (see note above)	<u>1,241,462</u>	<u>964,142</u>

Notes to the Financial Statements

For the period from 31 December 2011 to 28 December 2012

10. Tangible fixed assets

	Fixtures & fittings £	Office equipment £	Total £
Cost			
At 31 December 2011 and 28 December 2012	238,936	804,607	1,043,543
Depreciation			
At 31 December 2011	140,403	781,358	921,761
Charge for the period	12,086	10,472	22,558
At 28 December 2012	152,489	791,830	944,319
Net book value			
At 28 December 2012	86,447	12,777	99,224
At 30 December 2011	98,533	23,249	121,782

11. Stocks

	28 December 2012 £	30 December 2011 £
Finished goods and goods for resale	10,839,487	11,148,214

The company held consignment stock with an estimated value of £3,887,083 as at 28 December 2012 (30 December 2011: £1,967,530) which is not recorded on the balance sheet. The principal terms of the consignment agreements are such that the company can return any or all of the stock to the relevant suppliers without financial penalties and the supplier can vary the stock prices.

The replacement value of stock is not materially different from its carrying value.

12. Debtors

	28 December 2012 £	30 December 2011 £
Trade debtors	69,708,706	81,499,649
Amounts owed by group undertakings	93,773	107,624
Other debtors	170,383	-
Prepayments and accrued income	398,861	300,148
	70,371,723	81,907,421

Notes to the Financial Statements

For the period from 31 December 2011 to 28 December 2012

13. Creditors:

Amounts falling due within one year

	28 December 2012	30 December 2011
	£	£
Bank loans and overdrafts	4,850,007	4,191,687
Trade creditors	12,966,040	18,820,897
Amounts owed to group undertakings	44,406,477	52,773,751
Other creditors	612,898	124,731
Corporation tax	-	314,312
Social security and other taxes	718,657	1,801,783
Accruals and deferred income	6,427,411	6,545,317
	<u>69,981,490</u>	<u>84,572,478</u>

14. Share capital

	28 December 2012	30 December 2011
	£	£
Allotted, called up and fully paid		
50,000 Ordinary shares of £1 each	<u>50,000</u>	<u>50,000</u>

15. Reserves

	Profit and loss account £
At 31 December 2011	10,996,660
Profit for the period	3,768,695
Dividends: Equity capital (Note 17)	(3,000,000)
	<u>11,765,355</u>
At 28 December 2012	

16. Reconciliation of movement in shareholders' funds

	28 December 2012	30 December 2011
	£	£
Opening shareholders' funds	11,046,660	10,345,932
Profit for the period	3,768,695	2,700,728
Dividends (Note 17)	(3,000,000)	(2,000,000)
	<u>11,815,355</u>	<u>11,046,660</u>
Closing shareholders' funds		

Notes to the Financial Statements

For the period from 31 December 2011 to 28 December 2012

17. Dividends

	Period from 31 December 2011 to 28 December 2012 £	Period from 01 January 2011 to 30 December 2011 £
Dividends paid on equity capital	<u>3,000,000</u>	<u>2,000,000</u>

18. Capital commitments

The directors have confirmed that there were no capital commitments at 28 December 2012 or 30 December 2011.

19. Pensions

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 company is also a member of a group defined benefit pension scheme. Full details of this scheme are disclosed in the financial statements of SHS Group Limited, which has complied with FRS 17.

The pension cost, which represents contributions payable to both schemes by the company, amounted to £324,306 (2011: £294,106).

20. Operating lease commitments

At 28 December 2012 the company had annual commitments under non-cancellable operating leases as follows:

	28 December 2012 £	30 December 2011 £
Expiry date:		
Within 1 year	107,014	49,870
Within 2 - 5 years	<u>564,620</u>	<u>762,236</u>

21. Related party transactions

As a wholly owned subsidiary of SHS Group Limited, the company is exempt from the requirements of FRS 8 to disclose transactions with other members of the group.

Notes to the Financial Statements

For the period from 31 December 2011 to 28 December 2012

22. Ultimate parent undertaking and controlling party

The directors consider that the ultimate parent company is SHS Group Limited, a company incorporated in Northern Ireland.

The ultimate controlling parties of SHS Group Limited are its shareholders.

The financial statements of SHS Group Limited are available for inspection at the Registrar of Companies, second floor, The Linenhall, 32-38 Linenhall Street, Belfast.

23. Liability Limitation Agreement with the auditor

The company has entered into a liability limitation agreement with Grant Thornton UK LLP, the statutory auditor, in respect of the statutory audit for the period ended 28 December 2012. The proportionate liability agreement follows the standard terms in Appendix B to the Financial Reporting Council's June 2008 Guidance on Auditor Liability Agreements, and was approved by the directors on 1 March 2013.