



NORISH

**ANNUAL
REPORT & ACCOUNTS
2012**

ANNUAL REPORT 2012

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FINANCIAL CALENDAR 2013

Announcement of preliminary results	8 March 2013
Annual Report posted to shareholders	6 April 2013
Annual General Meeting	7 May 2013
Announcement of interim results	13 September 2013

CORPORATE PROFILE

Background

Norish plc is a leading warehousing company dedicated to serving the food manufacturing, distribution and retailing sectors. *Norish* was founded in 1975 and became a public company in 1986. Its shares are listed on the Alternative Investment Market of the London Stock Exchange.

Norish mainly operates strategically located temperature controlled storage centres, each of which provides storage, freezing, picking, order assembly services to food companies engaged in processing, wholesaling and retailing.

On 5 October 2012 the Group acquired the entire issued share capital of Townview Foods Limited, a protein trading company based in Newry, Northern Ireland. It procures supplies of raw and cooked beef, mutton, lamb, pork and poultry products from around the world in order to supply major food manufacturing and wholesale companies across the UK, including Northern Ireland. The Group agreed to pay an aggregate consideration of up to £8.25m subject also to the possible payment of an extra amount by reference to excess profits in 2013 and 2014.

Group Operations

Norman Hatcliff – *Managing Director* - norman.hatcliff@norish.com

Northern Industrial Estate
Bury St Edmunds
Suffolk IP32 6NL
Tel: 01293 862498
Mob: 07879 447427

Locations

- Bury St. Edmunds, Suffolk (Cold store)
- Brierley Hill, West Midlands (Cold store)
- Wrexham, Clwyd (Cold store)
- Braintree, Essex (Cold store)
- Lympne, Kent (Cold store)
- Gillingham, Kent (Cold store)
- Leeds, Yorkshire (Cold store)
- Shipton by Beningbrough, York (Ambient warehouse)
- Newry (Townview Foods Limited offices)

FINANCIAL HIGHLIGHTS

	2012	2011
	£'000	£'000
Revenue - Continuing operations	14,876	11,213
Operating profit	232	666
(Loss)/Profit before tax	(55)	406
Basic earnings per share	(0.8)p	4.3p
Dividend paid per share		
- interim for current year	Nil	Nil
- final for previous year	1.25c	1.25c
	—————	—————
	1.25c	1.25c
Capital employed	£'000	£'000
Shareholders' funds	8,067	8,025
Net borrowings	8,003	6,797
	—————	—————
	16,070	14,822
	=====	=====
Gearing – excluding goodwill (see Note 1 below)	145%	87%

Note 1

The above gearing figures are expressed as net borrowings (total borrowings less cash) divided by net assets (excluding goodwill).

Note 2

Townview Foods Limited contributed £3,231,000 of revenue from continuing operations and £131,000 of operating profit from continuing operations.

CHAIRMAN'S STATEMENT

I am pleased to present the Annual Report of Norish Plc for 2012.

Results

Norish plc results for the year ended 31st December 2012 as follows:

- Turnover increased to £14.9m compared with £11.2m for 2011.
- Turnover from Townview Foods Limited accounted for £3.2m in the period 5 October 2012 to 31 December 2012.
- Turnover from the warehousing division (being the segments ambient storage and cold storage) increased to £11.7m from £11.2m in 2011.
- Pre-tax losses of £55,000 (after writing off acquisition costs of £317,000 compared to pre-tax profits of £406,000 for 2011).
- Net assets increased from £8m to £8.1m compared with 2011.
- Net debt increased to £8m from £6.8m mainly due to the acquisition of Townview Foods Limited.
- Earnings per share decreased to (0.8)p from 4.3p mainly due to the acquisition costs.

Financial Strength

Shareholders funds at 31 December 2012 were £8.1m compared with £8.0m at 31 December 2011. Net debt at 31 December 2012 was £8m which increased from £6.8m as at 31 December 2011.

Operations

Our cold store business did not perform as well as last year. Although it increased its turnover, the business suffered from increased power costs and an increase in labour intensive handling activities for some of our customers.

Our ambient site at York performed below 2011 levels. It has suffered from reduced occupancy levels and throughput.

We purchased Townview Foods Limited on the 5th October 2012 which has contributed £131,000 to the profits of the group since the acquisition date.

We currently use R22 refrigeration gas at three of our cold stores. R22 is a Hydrochlorofluorocarbon (HCFC) which is classed as an ozone depleting gas and with effect from 1st January 2010 it is no longer possible to purchase virgin R22. However, the use of re-cycled R22 is still permitted until 31st December 2014. We currently have an option to purchase 24,868 kg (2011: 44,808 kg) of re-cycled R22 at £4.05 per kg which is below the current market value. During the year we exercised a proportion of our option and sold 19,940 kg, resulting in a realised profit of £60,000. Under IAS39 we have also accounted for an unrealised profit of £49,000 on the proportion of the option still held at 31 December 2012. This is based on a fair value option price of £16.95 per kg at 31st December 2012. The quantity of gas held is expected to be in excess of our own use requirement.

Our pre-tax losses of £55,000 were adversely affected by £317,000 in respect of the acquisition costs of Townview Foods Limited.

CHAIRMAN'S STATEMENT (CONTINUED)

Dividend

The board recommends the payment of a final dividend of 1.25 cent per share. This will be paid on the 25th October 2013 to those shareholders on the register on the 27th September 2013. It will bring the total dividend in respect of the financial year to 1.25 cent per share unchanged from last year.

Personnel

On behalf of the board, I would like to thank the management team and staff for their commitment and contribution in 2012.



Ted O'Neill
Chairman
7 March 2013

FINANCIAL REVIEW

Reporting currency

The Group, the parent company of which is a public limited company incorporated in Ireland, continues to report its results in Sterling, as all of its operating activities are carried out in the United Kingdom.

Revenue and operating profit

Revenue from operations increased from £11.2m to £14.9m. The significant increase in revenue has resulted mainly from the acquisition of Townview Foods Limited (£3.2m). The group operating profit from operations decreased to £0.2m, representing 1.3% (2011 – 5.9%) of revenue. The main reason for the drop in operating profits was as a result of £317,000 of acquisition costs.

For our operations, the number of pallets into our sites decreased by 3% to 408,008, blast freezing volumes increased by 17% to 53,749 pallets and closing customer stocks at the year end decreased by 8% to 44,982 pallets. Our average energy price per unit increased by 8% in 2012 and the number of units consumed increased by 2% due mainly to the additional blast freezing volumes.

Gross profit margin for the period which is calculated after taking into account any commissions payable was 6% for the acquisition period of Townview Foods Limited. This compares with an adjusted gross profit margin of 7.22% for the year ended 31st December 2012.

At our warehousing divisions we have started 2013 with lower than expected occupancy levels, but are experiencing a better start to the year with increased occupancy and throughput levels.

Key ratios and depreciation

Basic earnings and diluted earnings per share decreased to (0.8)p compared with 4.3p in 2011.

Year-end gearing (after eliminating goodwill) was 145% compared with 87% at 31 December 2011.

Depreciation totalled £0.6m (2011: £0.6m).

Cash position

The Group's operating net cash inflow for the year was £0.376m (2011: £0.504m). Net debt increased to £8m from £6.8m at 31 December 2011. The Group retains adequate term loan and overdraft facilities to meet its ongoing operating needs to the next renewal date.

Treasury policy and management

The treasury function, which is managed centrally, handles all Group funding, debt, cash, working capital and foreign exchange exposures. Group treasury policy concentrates on the minimisation of risk in all of the above areas and is overseen and approved by the Board. Speculative positions are not taken.

Financial risk management

The Group's financial instruments comprise borrowings, cash, derivatives, and various items, such as trade receivables, trade payables etc, that arise directly from its operations. The main purpose of the financial instruments not arising directly from operations is to raise finance for the Group's operations.

The Group may enter into derivative transactions such as interest rate swaps, caps or forward foreign currency transactions in order to minimise its risks. The purpose of such transactions is to manage the interest rate and currency risks arising from the Group's operations and its sources of finance.

FINANCIAL REVIEW (CONTINUED)

The Group is currently holding a position on refrigerant gas that it uses at 3 of its cold store sites. It is expecting to trade some of this volume during 2013.

The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk and refrigerant gas price risk. The Group's policies for managing each of these risks are summarised below.

Interest rate risk

The Group finances its operations through a mixture of retained profits, bank and other borrowings at both fixed and floating rates of interest, and working capital. The Group determines the level of borrowings at fixed rates of interest having regard to current market rates and future trends. At the year-end, £6.605m term loans of which £5.367m are at floating base rate plus a bank margin of 1.2% and £1.237m are at floating base rate plus a bank margin of 2.75%. The Group holds an interest rate swap on £3m at 1.45% against Bank of England base rate which expires in August 2016. It also has a base interest rate cap for £3m at 5% which expires in April 2014.

Liquidity risk

The Group's policy is that, in order to ensure continuity of funding, a significant portion of its borrowings should mature in more than one year. At the year-end, 73% of the Group's borrowings were due to mature in more than one year.

The Group achieves short-term flexibility by means of invoice finance and overdraft facilities.

Refrigerant gas price risk

We currently use R22 refrigeration gas at three of our cold stores. R22 is a Hydrochlorofluorocarbon (HCFC) which is classed as an ozone depleting gas and with effect from 1st January 2010 it is no longer possible to purchase virgin R22. However, the use of re-cycled R22 is still permitted until 31st December 2014. We currently have an option to purchase 24,868 kg (2011: 44,808 kg) of re-cycled R22 at £4.05 per kg which is below the current market value. During the year we exercised a proportion of our option and sold 19,940 kg, resulting in a realised profit of £60,000. Under IAS39 we have also accounted for an unrealised profit of £49,000 on the proportion of the option still held at 31 December 2012. This is based on a fair value option price of £16.95 per kg at 31st December 2012. The quantity of gas held is expected to be in excess of our own use requirement.

The Group is in close contact with its professional advisors and the main suppliers of R22 gas in the market and intend to sell some or all of its position over the next year.

Goodwill

The cost and net book value of goodwill at 31 December 2012 was £2,554,000 (31 December 2011: £216,000). The goodwill at 31 December 2011 related to the acquisition of the ambient storage business, acquired in 2000. As disclosed in note 31, the Group acquired Townview Foods Limited during the year giving rise to goodwill of £2,338,000.

No impairment was recorded in 2012 (2011: £nil) and no reasonably foreseeable change in a key assumption would have given rise to an impairment, in either year.

FINANCIAL REVIEW (CONTINUED)

Contingent consideration market risk

The Group recognised contingent consideration of £1,588,000 in connection with the acquisition of Townview Foods Limited. Turnover and gross profit margins were below what was initially forecasted for the period of acquisition to the 31st December 2012 as they were impacted by the recent economic events. The contingent consideration has been recognised at fair value and its ultimate value depends upon the underlying performance of the acquired business. In future periods, adjustments to the fair value of the contingent consideration may be required as a result of both actual and forecast results and these adjustments will be recognised in profit or loss. Fair value has initially been determined using the acquisition case for Townview Foods Limited which the board are committed to delivering. Reporting systems are in place to allow the board to monitor the performance of Townview Foods Limited.



Aidan Hughes
Finance Director
7 March 2013

SHAREHOLDERS INFORMATION

Shareholder analysis at 7 March 2013

Number of shares	Number of accounts	Percentage of accounts	Number of shares (000)	Percentage of shares
1 – 1,000	117	46.8	50	0.5
1,001 – 10,000	76	30.4	309	3.0
10,001 – 100,000	40	16.0	1092	10.8
Over 100,000	17	6.8	8695	85.7
Total	250	100	10146	100.0

Share price data (€)

	High	Low	31 December
Year ended 31 December 2012	36.75p (€0.46)	32.5p (€0.41)	33.5p (€0.41)
Year ended 31 December 2011	42.5p (€0.51)	36.5p (€0.44)	36.5p (€0.44)

The market capitalisation of Norish plc at 31 December 2012 was £3.4m (€4.2m) compared with £3.4m (€4.1m) at 31 December 2011, and £5.3m (€6.1m) at 7 March 2013.

Investor relations

Investor enquiries should be addressed to Aidan Hughes, Company Secretary, at:

- Norish plc, Northern Industrial Estate, Bury St Edmunds, Suffolk, IP32 6NL
- Email: aidan.hughes@norish.com

Registrars

Administrative enquiries relating to the holding of Norish shares should be directed to the Company's Registrars whose address is:

- Neville Registrars Limited, Neville House, 18 Laurel Lane, Halesowen, West Midlands, B63 3DA.
- Telephone: +44 (0121) 585 1131

SHAREHOLDERS INFORMATION (CONTINUED)

Amalgamation of accounts

Shareholders who have multiple accounts in their name and who receive duplicate mailings should contact the Company's Registrars in order to have these accounts amalgamated.

Dividends

Dividends when payable to shareholders will be paid net of withholding tax, which is currently 20%. Provided certain administrative procedures are adhered to, a withholding tax exemption will apply to certain classes of shareholder.

Individuals who are tax resident in Ireland are not entitled to a withholding tax exemption.

CREST

Norish participates in the CREST share settlement scheme. Shareholders may continue to hold paper share certificates or they may hold their shares electronically.

Annual General Meeting

The Annual General Meeting will be held at South Bank House, Barrow Street, Dublin 4, on Tuesday 7 May 2013 at 11am.

BOARD OF DIRECTORS

Executive Directors

Executive Chairman

Ted O'Neill (61) was appointed to the board and became Chairman in 2003. He is an investor in a number of other companies based in Ireland.

Managing Director

Norman Hatcliff (58) joined the group in January 2000 as Operations Director of the Temperature Controlled Division and was appointed Managing Director in September 2006. He has been a member of the board since August 2004. He has extensive experience in the temperature controlled storage industry, initially with Tempco Severnside and subsequently with Exel Logistics. He joined TDG plc in 1990, and was Operations and Commercial Director of TDG Novacold from 1996 to 1999.

Finance Director & Company Secretary

Aidan Hughes (48) joined Norish as Group Accountant in 1996 and was appointed Finance Director in September 2006. He has carried out the role of Company Secretary since 2004. He is a Chartered Accountant and has previous experience in the travel industry.

Non-Executive Directors

Torgeir Mantor (56) was appointed to the board in 1993. He is Chairman of Norse Group, USA and VisionMonitor Software LLC, both in Houston, Texas, and is a director of Tore B. Mantor AS and ProPac AS, both in Norway.

Willie McCarter (65) was appointed to the board in 2004, and was subsequently appointed as the Senior Independent Non-Executive Director. He was a director of Cooley Distillery plc up to January 2012 and was formerly Chief Executive of Fruit Of The Loom International, Chairman of the International Fund for Ireland and the Enterprise Equity Venture Capital Group.

Seán Savage (66) was appointed to the board in 2012 and has previous experience in the food industry, having started his career in 1970 with Cadbury plc, where he worked as a plant manager and supervisor across a number of Cadbury's Irish plants. He was general manager of Manor Farm Chickens from 1985 to 1994, before establishing Eatwell UK in 1995. He sold the company to Goodman Group in 2003 and remained with the company until 2004. In 2005, Seán established Deasuin Teoranta, a food and environmental investment consultancy practice, which has undertaken projects on behalf of Enterprise Ireland amongst others.

CORPORATE INFORMATION

Directors

Ted O'Neill - Executive Chairman
Norman Hatcliff (British) – Managing Director
Aidan Hughes – Finance Director
Torgeir Mantor (Norwegian) *
Willie McCarter *
Seán Savage*(Joined 5 October 2012)
* *non-executive*

Company Secretary

Aidan Hughes

Audit Committee

Torgeir Mantor
Willie McCarter

Remuneration Committee

Torgeir Mantor
Willie McCarter

Nomination Committee

Consists of all Directors

Registered Office

6th Floor
South Bank House
Barrow St
Dublin 4

Operational Head Office

Northern Industrial Estate
Bury St Edmunds
Suffolk
IP32 6NL

Domicile

Republic of Ireland

Company Registration

Registered in Ireland under
Registration number - 51842

Solicitors

Mason Hayes & Curran
South Bank House
Barrow St
Dublin 4

Burges Salmon LLP
One Glass Wharf
Bristol, BS2 0ZX

Nomad and Brokers

Davy
Davy House
49 Dawson Street
Dublin 2

Bankers

HSBC Bank plc
Bank of Ireland plc

Auditor

Grant Thornton
Chartered Accountants
24-26 City Quay
Dublin 2

Registrars

Neville Registrars Limited
Neville House
18 Laurel Lane
West Midlands
B63 3DA

DIRECTORS' REPORT

The Directors present their Annual Report together with the audited financial statements of the Group for the year ended 31 December 2012.

Principal Activities and Review of Business

Norish plc is a provider of temperature controlled, ambient storage and related services to the food industry in the United Kingdom. During the year, the Group acquired Townview Foods Limited.

Townview Foods Limited is a meat import company based in Newry, Northern Ireland. It procures supplies of raw and cooked beef, mutton, lamb, pork and poultry products from around the world in order to supply major food manufacturing and wholesale companies across the UK, including Northern Ireland. The Group agreed to pay an aggregate consideration of up to £8.25m subject also to the possible payment of an extra amount by reference to excess profits in 2013 and 2014. Since acquisition, Townview Foods Limited has contributed £3,231,000 to Group revenues and £131,000 to Group operating profit from continuing operations.

Our cold store business did not perform as well as last year. Although it increased its turnover, the business suffered from increased power costs and an increase in labour intensive handling activities for some of our customers.

Our ambient site at York performed below 2011 levels. It has suffered from reduced occupancy levels and throughput.

Details of the Group's subsidiary undertakings are set out in Note 30 to the financial statements.

Further commentaries on the Group's development and performance, including the principal risks and uncertainties facing the business, are contained in the Chairman's Statement and the Financial Review on pages 4 to 8.

Dividends

The board recommends the payment of a final dividend of 1.25 cent per share. This will be paid on the 25th October 2013 to those shareholders on the register on the 27th September 2013. It will bring the total dividend in respect of the financial year to 1.25 cent per share unchanged from last year.

Post Balance Sheet Events

No significant events have taken place since the year-end that would result in adjustment to the financial statements or the inclusion of a note thereto.

Transactions with Related Parties

Consultancy services totalling £2,000 (2011: £2,000) were provided by a relative of a director during the year. There was £nil outstanding as at 31 December 2012 (2011:£nil).

DIRECTORS' REPORT (CONTINUED)

Creditor payment policy

It is the company's policy to abide by the payment terms agreed with suppliers whenever it is satisfied that the supplier has provided the goods and services in accordance with agreed terms and conditions.

The average supplier payment terms for 2012 for the Group was 43 days (2011: 47 days). This was calculated by taking the year end creditors listing as a percentage of the total supplies and services invoiced during the year, multiplied by 365 days.

Key risks and uncertainties

Please refer to the Financial Review on pages 6 – 8 to understand the key financial risks facing the company and management's approach to same.

In respect of operational risks our largest customer accounts for 11.2% (2011 – 14.0%) of the Group's turnover. However, the directors are satisfied that this business could be replaced if it was ever lost.

In the event of there being a power supply failure at one of our storage sites, the majority of the operations in our storage business will come to a standstill. Refrigeration plant, lights, computer and telephone systems will not operate. Contingencies in place include alternative site operation for computer systems, portable power generation for systems and lighting, commitment by power network operators to supply emergency power generation.

In the event of a food related health concern in respect of key products bought and sold by Townview Foods Limited, there could be a significant decrease in customer demand. To mitigate against this, a range of products are bought and sold so as not to unnecessarily concentrate risk into one particular food group.

The majority of our commercial arrangements are non contractual. As a result, there is a risk that customers could terminate agreements to either use Norish facilities or buy Norish goods without giving notice, thus placing revenue streams at risk. To mitigate against this, regular review meetings are held with all major customers in order to determine trends and changes in customer's requirements.

Key performance indicators

For our operations, the number of pallets into our sites decreased by 3% to 408,008, blast freezing volumes increased by 17% to 53,749 pallets and closing customer stocks at the year end decreased by 8% to 44,982 pallets. Our average energy price per unit increased by 8% in 2012 and the number of units consumed increased by 2% due mainly to the additional blast freezing volumes.

DIRECTORS' REPORT (CONTINUED)

Directors

The Board currently comprises the Executive Chairman, Managing Director, Finance Director and three non-executive Directors. Under the criteria adopted by the Committee on Corporate Governance, Torgeir Mantor would not be perceived to be independent due to his interests in the Company's shares. None of the non-executive Directors are involved in the day-to-day management of the Group.

The names of the Group's Directors at 31 December 2012 together with brief biographical notes are set out on page 11.

In accordance with Article 87 of the Company's Articles of Association, Mr Ted O'Neill and Mr Torgeir Mantor retire by rotation, and being eligible, offers themselves for re-election. In accordance with Article 94 of the Company's Articles of Association, Mr Willie McCarter retires, and being eligible, offers himself for re-election.

The Executive Chairman, Managing Director and Finance Director have service contracts with the Group company's that are terminable by either party giving 12 months' notice. None of the non-executive Directors have service contracts.

Sean Savage was appointed a Director on 5 October 2012 and, being eligible, offers himself for election.

All directors have third party indemnity insurance in place.

Interests of Directors and Secretary

There were no contracts or arrangements during the year in which a Director of the Company was materially interested and which were significant in relation to the Group's business.

The interests, all of which are beneficial, of the Directors and the Secretary who held office at 31 December 2012 (including their respective family interests) in the share capital of Norish plc were as follows:

	31 December 2012 Ordinary Shares	31 December 2011 Ordinary Shares
Ted O'Neill	2,668,353	2,668,353
Norman Hatcliff	49,116	49,116
Aidan Hughes	205,000	205,000
Torgeir Mantor *	12,600	12,600
Willie McCarter	-	-
Seán Savage	833,333	-

* *Torgeir Mantor is a director of T. B. Mantor AS, which also holds 1,130,025 (2011: 1,130,025) shares and is owned by the Mantor family.*

DIRECTORS' REPORT (CONTINUED)

The interests of the Directors and Secretary in options, granted in accordance with the Company's share option scheme, to subscribe for ordinary shares in the Company, are as follows:

	1 Jan 2012	Cancelled/ Lapsed in year	Granted in year	31 Dec 2012	Exercise Price	Exercisable from	Expiry date
Norman Hatcliff	140,000	-	-	140,000	58p	June 2011	June 2018
Total	140,000	-	-	140,000			
Aidan Hughes	110,000	-	-	110,000	58p	June 2011	June 2018
Total	111,000	-	-	110,000			

The mid-market price of an ordinary share on 31 December 2012 was 33.5p (€0.41) and the price range during the year was between 32.5p (€0.41) and 36.75p (€0.46). Apart from the interests disclosed above, neither the Directors nor the Secretary had an interest at any time during the year in the share capital of the Company or Group companies. There have been no changes in the above interests between 31 December 2012 and the date of this Report.

Pensions

Executive Directors are entitled to become members of the Group's defined contribution pension scheme or, if preferred, to receive payment of a fixed percentage of salary into an approved personal pension scheme.

DIRECTORS' REPORT (CONTINUED)

Substantial shareholdings

At 7 March 2013 the Company had been advised of the following shareholdings in excess of 3% of its issued share capital:

	Number of shares	Percentage held
Ted O'Neill	2,668,353	26.29
John Teeling	1,198,857	11.82
T.B. Mantor AS	1,130,025	11.14
Tom Cunningham	897,511	8.85
Seán Savage	833,333	8.21
Leslie McCauley	518,600	5.1

Apart from these holdings, the Company has not been notified of any other interest of 3% or more in its issued share capital.

Subsidiary companies

The statutory information required by sub-sections (4) and (5) of Section 158 of the Companies Act, 1963 is presented in Note 30 to the financial statements.

Executive share option scheme

The percentage of share capital that can be issued under the scheme and the individual grant limits comply with the published guidelines of the Irish Association of Investment Managers.

The aggregate nominal value of shares issued under the scheme may not exceed 10% of the nominal value of the issued ordinary share capital. Between 1989 and 2011 the Company issued a total of 1,252,237 ordinary options. In 2012 the Company issued no share options.

To date 46,000 options have been exercised and 956,237 options have expired. At 31 December 2012 options were outstanding over 250,000 ordinary shares.

DIRECTORS' REPORT (CONTINUED)

Group website

Our website, *www.norish.com*, provides our customers, shareholders and the general public with useful information on the Group's facilities and services, together with key financial data, company announcements etc.

Personnel development

The Group is committed to ensuring that its employees are capable of achieving the highest standards in their employment by providing training at all levels for current and future business needs. Emphasis is placed on training in key areas such as computer skills, safe driving of vehicles and the proper utilisation of materials handling equipment. The Group seeks to ensure that all employees receive up-to-date information on current business events and developments pertaining to their own work place.

Disabled employees

The policy of Norish plc is to offer the same opportunities to disabled people as to all employees in respect of recruitment, promotion and career development depending on their skills and abilities. Employees who become disabled will, wherever possible, be rehabilitated, retrained and redeployed if necessary.

Electoral Act, 1997

The Group did not make any political contributions during the year.

Environmental policies

The Group continues to implement improved working practices with a view to minimising harmful environmental impacts. It is committed to maintaining its efforts in the area of energy conservation by way of improving the insulation within the cold store sites and replacing refrigeration doors with modern highly efficient refrigeration doors. It has also replaced one of its larger sites, West Midlands in 2012, with a new highly efficient ammonia refrigeration system which will significantly reduce the power consumption at the site.

Country of Incorporation

Norish plc was incorporated and is domiciled in the Republic of Ireland under company number 51842.

Significant Customers

During 2012, £1.661m or 11.2% (2011: £1.571m or 14.0%) of the Group's revenues depended on a single customer in the cold storage segment.

DIRECTORS' REPORT (CONTINUED)

Corporate governance

The Directors are committed to the UK Corporate Governance Code (2010).

Principles of good corporate governance

The Directors are accountable to the shareholders for good corporate governance and the following voluntary statement describes how the relevant principles of good governance set out in the 2010 UK Corporate Governance Code in Norish plc.

Board of Directors

The Board of Directors comprises an Executive Chairman, Managing Director and Finance Director and three Non-Executive Directors. On appointment all non-executive directors receive comprehensive briefing documents on the Group and its operations, and further appropriate briefings are provided to non-executive directors on an ongoing basis. Willie McCarter is the Senior Independent Non-Executive Director.

It is the practice of the Group that the Board comprises at least two non-executive Directors.

Due to the small size of the board, all Directors are members of the Nomination Committee.

The Board takes the major strategic decisions and retains full effective control while allowing operating management sufficient flexibility to run the business efficiently and effectively within a centralised reporting framework.

Torgeir Mantor would not be perceived to be independent due to his interests in the Company's shares. However, it is the opinion of the Board that the Non-Executive Directors are independent of management and have no business or other relationship which could interfere materially with the exercise of their judgement.

The Board delegates to committees, which have specific terms of reference and which are reviewed periodically, the responsibility in relation to audit and senior executive remuneration issues. Minutes of these committees are supplied to all Directors for information and to provide the Board with an opportunity to have its views taken into account.

The Board has a regular schedule of meetings together with further meetings when required. In addition, there is a formal schedule of matters reserved specifically to the Board for its decision, including the approval of the annual financial statements, budgets, significant contracts, significant capital expenditure and senior management appointments.

The Non-Executive Directors meet with the Executive Chairman separately during the year to discuss the business and strategy.

The Company Secretary is responsible to the Board for ensuring that Board procedures are followed and that applicable rules and regulations are complied with. The Group's professional advisors are available for consultation by the Board as required. Individual Directors may take independent professional advice, if necessary, at the Group's expense.

The Executive Chairman holds regular business review meetings with Senior Management.

DIRECTORS' REPORT (CONTINUED)

Attendance

The Board meets regularly and details of attendances by individual Directors at meetings of the Board and its Committees during the year ended 31 December 2012 are as follows:

Table of attendance

	Board	Remuneration	Audit
Meetings held	5	2	1
Meetings Attended:			
Ted O'Neill	5	N/A	N/A
Norman Hatcliff	5	N/A	N/A
Aidan Hughes	5	N/A	N/A
Torgeir Mantor	5	2	1
Willie McCarter	5	2	1
Seán Savage(joined 5 Oct 2012)	1	N/A	N/A

No nomination meetings were held during the year.

Directors' Remuneration

The remuneration of Directors and senior management is determined by the Remuneration Committee consisting of 2 of the non-executive Directors whose names are listed on page 11. The Remuneration Committee is chaired by Mr Willie McCarter. This committee also recommends the granting of share options to Executive Directors and senior management. In considering and agreeing salaries and benefits as well as performance related incentives the Committee aims to ensure that remuneration packages are competitive and that individuals are fairly rewarded relative to their responsibilities, experience and value to the Group. The committee takes advice where appropriate from external professional advisors in assessing salary levels and determining its remuneration policy and practice.

Norish plc's remuneration policies and procedures meet with the Best Practice Provisions of the Irish Stock Exchange's requirements on Directors' remuneration. In particular the Company has applied all of the relevant principles set out in UK Corporate Governance Code (2010). In designing schemes of performance-related remuneration, the Remuneration Committee has given full consideration to the provisions in UK Corporate Governance Code (2010).

Details of the interests of Directors and Secretary in shares and options are set out earlier in this Report and details of Directors' remuneration are given in Note 28 to the financial statements.

Relations with Shareholders

Recognising the importance of communications with shareholders the Board seeks to provide through its Annual Report a clear and balanced assessment of Group performance and prospects. The Group's Internet website, *www.norish.com*, provides investors with the full text of the Annual and Interim Reports. The Chairman and Directors maintain an ongoing dialogue with the Company's institutional shareholders on strategic issues. All shareholders are encouraged to attend the Annual General Meeting.

DIRECTORS' REPORT (CONTINUED)

Internal control

The Board is ultimately responsible for the Group's system of internal control and for reviewing its effectiveness. The system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board confirms that an ongoing process for identifying, evaluating and managing the significant risks faced by the Group has been put in place for the year under review and up to the date of approval of the annual report and accounts, and that this process is regularly reviewed by the board and accords with the 2010 UK Corporate Governance Code.

The Board has reviewed the effectiveness of the system of internal control. In particular it has reviewed the process for identifying and evaluating the significant risks affecting the business and the policies and procedures by which these risks are managed.

The Group's overall internal control system includes:

- an organisation structure with clearly defined lines of authority and accountability;
- appropriate terms of reference for Board committees with clearly stated responsibilities;
- a budgeting and monthly financial reporting system for all Group business units, which enables close monitoring of performance against plan and facilitates remedial action where necessary; and
- comprehensive policies and procedures in relation to financial controls, capital expenditure, operational risk and treasury and credit risk management.

The Group's system of internal financial controls is established to provide reasonable assurance of :

- the maintenance of proper accounting records and the reliability of financial information;
- the safeguarding of assets against unauthorised use or disposal; and
- the prevention or early detection of material errors or irregularities.

The Group's internal controls, including financial controls, are reviewed systematically by the Audit Committee. In these reviews the emphasis is placed on areas of significant risk. The Finance Director is responsible for carrying out detailed risk assessments in all business units and for reporting to divisional and ultimately senior management on the effectiveness of the internal control system.

DIRECTORS' REPORT (CONTINUED)

Audit Committee and Auditors

The Audit Committee is chaired by Willie McCarter. The other member is Torgeir Mantor. Its written terms of reference deal clearly with its authority and duties. The committee meets to review the group's annual financial statements before their submission to the Board, to review the appropriateness and effectiveness of the Group's internal controls, accounting policies and procedures and financial reporting and also to assess the effectiveness of the external audit and the Group Internal Audit function.

The Group's policy regarding external auditor independence and the provision of non-audit services by the external auditors is that, where appropriate, non-audit related work is put out to competitive tender. Details of the year's fees payable to the external auditors are given in Note 9 to the financial statements.

The Directors and senior management, the Group's external auditors and internal audit, as appropriate, attend meetings of the committee.

Compliance statement

Norish has complied during the year to 31 December 2012 with all provisions of the Principles of Good Governance and Code of Best Practice as contained in the 2010 UK Corporate Governance Code except for the following matters:

- The Board's Nomination Committee consists of all members of the Board. This decision was taken because of the small size of the board.
- Due to the small size of the Board, performance evaluation of the Board, its Committees and Directors has not been conducted.
- Most of the directors have a direct interest in the share capital of Norish plc as detailed on page 15. Willie McCarter is the only director who does not have any beneficial interest in the share capital.

Going concern

The Directors, having made appropriate enquiries, have a reasonable expectation that the Group as a whole has adequate resources to continue in operation for the foreseeable future.

The Group has prepared profit and cashflow forecasts that show that it will be able to trade within the current facilities. The group borrowings are underpinned by a portfolio of freehold and long leasehold properties and at the year end there were agreed, but undrawn facilities of £1.2m.

During the year the bank provided a 10 year Term loan of £0.9m to fund a major capital project. The Group renegotiated bank covenants during the year following the acquisition of Townview Foods Limited and has held discussions with its bankers in advance of the annual renewal of facilities in April 2013 about its future funding requirements. The Group keeps the bank informed on a monthly basis of actual results, forecasts and covenant compliance issues and continues to have the support of the bank. The directors therefore have a reasonable expectation that the group's facilities will be renewed.

While the major part of the group's funding is provided by the group's bankers, the directors keep under review other funding opportunities.

Taking into account all of the above the directors consider it appropriate to adopt the going concern basis in preparing the financial statements.

DIRECTORS' REPORT (CONTINUED)

Accounting records

The Directors believe that they have complied with the requirements of Section 202 of the Companies Act, 1990 with regard to books of account by employing accounting personnel with appropriate expertise and by providing adequate resources to the financial function. The books of account of the Company are maintained at Northern Industrial Estate, Bury St Edmunds, Suffolk, IP32 6NL. The Executive Chairman maintains records in Ireland for the purposes of Section 202(6) of the Companies Act, 1990.

Auditor

In accordance with Section 160(2) of the Companies Act 1963 the auditors, Grant Thornton, Registered Auditors, will continue in office.

On behalf of the board:



T.J. O'Neill
Chairman



N.A Hatcliff
Managing Director

7 March 2013

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ANNUAL REPORT AND THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Annual Report and the financial statements, in accordance with applicable law and regulations.

Company law requires the directors to prepare group and parent company financial statements for each financial year. Under that law the directors have elected to prepare the group financial statements in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union, and the parent company financial statements in accordance with Generally Accepted Accounting Practice in Ireland.

The group and parent company financial statements are required by law to give a true and fair view of the state of affairs of the group and the parent company and of the profit or loss of the group for that period.

In preparing each of the group and parent company 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the parent company will continue in business.

The directors are responsible for keeping proper books of account that disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Acts 1963 to 2012, and the Alternative Investments Market (AIM) rules. They are also responsible for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

The directors are also responsible for preparing a Directors' Report that complies with the requirements of the Companies Acts 1963 to 2012.

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

On behalf of the Board



T.J. O'Neill
Chairman



N.A. Hatcliff
Managing Director

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF NORISH PLC

We have audited the group and parent company financial statements (the 'financial statements') of Norish plc for the year ended 31st December 2012 including the Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Cash Flow Statement and the Company Balance Sheet, and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

As set out in the Statement of Directors Responsibilities, the company's directors' are responsible for the preparation of the Annual Report and the group financial statements in accordance with applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union, and the parent company financial statements in accordance with applicable law and Generally Accepted Accounting Practice in Ireland including the accounting standards issued by the Accounting Standards Board and published by Chartered Accountants Ireland.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

This report, is made solely to the company's members, as a body, in accordance with section 193 of the Companies Act 1990 and Regulations 9 and 13 of the European communities (Directive 2006/46/EC) Regulations, 2009. 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. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the group financial statements give a true and fair view, in accordance with IFRS as adopted by the European Union, and the parent company financial statements give a true and fair view in accordance with Generally Accepted Accounting Practice in Ireland, and are properly prepared in accordance with the Companies Acts, 1963 to 2012, and the European Communities (Companies: Group Accounts) Regulations, 1992. We also report to you whether in our opinion proper books of account have been kept by the company, whether at the balance sheet date, there exists a financial situation requiring the convening of an Extraordinary General Meeting of the company; and whether the information given in the Directors' Report is consistent with the financial statements. In addition, we state whether we have obtained all the information and explanations necessary for the purposes of our audit and whether the company's balance sheet is in agreement with the books of account.

We also report to you if, in our opinion, any information specified by law regarding directors' remuneration and directors' transactions is not disclosed and, where practicable, include such information in our report.

We read the other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises the Corporate Profile and Information, the Financial Highlights, the Directors' Report, the Chairman's Statement, Shareholder and Board of Directors information, the Financial Review and the Historical Financial Summary. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF NORISH PLC (CONTINUED)

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland), issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the group financial statements give a true and fair view, in accordance with IFRS as adopted by the European Union, of the state of the group's affairs as at 31 December 2012 and of the group's result for the year then ended; and
- the group financial statements have been properly prepared in accordance with the requirements of the Companies Acts 1963 to 2012 and the European Communities (Companies: Group Accounts) Regulations, 1992;
- the parent company financial statements give a true and fair view in accordance with Generally Accepted Accounting Practice in Ireland of the state of the company's affairs as at 31 December 2012; and
- the parent company financial statements have been properly prepared in accordance with the Companies Acts, 1963 to 2012.

We have obtained all the information and explanations that we consider necessary for the purposes of our audit. In our opinion, proper books of account have been kept by the company. The company's balance sheet is in agreement with the books of account.

In our opinion, the information given in the directors' report is consistent with the financial statements.

The net assets of the company as stated in the balance sheet, are more than half of the amount of its called-up share capital and, in our opinion, on that basis there did not exist at 31 December 2012 a financial situation which, under section 40(1) of the Companies (Amendment) Act 1983, would require the convening of an extraordinary general meeting of the company.



SINEAD DONOVAN FCA (Senior Statutory Auditor)

For and on behalf of

Grant Thornton

Chartered Accountants &

Statutory Auditor

7 March 2013

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2012

	Notes	2012 £'000	2011 £'000
Continuing operations			
Revenue	5	14,876	11,213
Cost of sales		(14,018)	(10,375)
Gross profit		858	838
Other income	6	109	190
Acquisition expenses	9	(317)	-
Administrative expenses	9	(418)	(362)
Operating profit from continuing operations		232	666
Finance expenses-interest paid	8	(215)	(186)
Finance expenses- fair value loss swaps/caps	8	(44)	(89)
Finance expenses – notional interest	8	(28)	-
Finance income	8	-	15
(Loss)/ profit on continuing activities before taxation	9	(55)	406
Income taxes – Corporation tax	10	(33)	(80)
Income taxes – Deferred tax	10	9	36
(Loss)/Profit for the period attributable to owners of the parent		(79)	362
Other comprehensive income		-	-
Total comprehensive (expense)/income for the period attributable to owners of the parent		(79)	362
Earnings per share expressed in pence per share:			
From continuing operations	11		
- basic		(0.8)p	4.3p
- diluted		(0.8)p	4.3p

The notes on page 31 to 74 are an integral part of these consolidated financial statements.

Approved on behalf of the board on 7 March 2013 by:



T.J. O'Neill
Chairman



N.A. Hatcliff
Managing Director

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December 2012

	Notes	2012 £'000	2011 £'000
Assets			
Non current assets			
Goodwill	12	2,554	216
Property, plant and equipment	13	16,299	15,379
Derivative financial instruments	14	422	669
		<u>19,275</u>	<u>16,264</u>
Current assets			
Trade and other receivables	15	4,244	2,827
Inventories	16	84	-
Cash and cash equivalents	25	103	50
		<u>4,431</u>	<u>2,877</u>
Liabilities			
Current liabilities			
Trade and other payables	18	(3,904)	(2,892)
Financial liabilities at fair value through profit or loss	17	(450)	(102)
Current tax liabilities	19	(566)	(81)
Borrowings	20	(2,216)	(991)
		<u>(7,136)</u>	<u>(4,066)</u>
Net current liabilities		<u>(2,705)</u>	<u>(1,189)</u>
Non-current liabilities			
Borrowings	20	(5,890)	(5,856)
Financial liabilities at fair value through profit or loss	17	(1,422)	-
Provisions	21	(145)	(139)
Deferred tax	22	(1,046)	(1,055)
		<u>(8,503)</u>	<u>(7,050)</u>
Net assets		<u>8,067</u>	<u>8,025</u>
Equity			
Share capital	23	1,841	1,674
Share premium account	23	3,276	3,229
Capital conversion reserve fund	24	23	23
Retained earnings		2,927	3,099
Equity attributable to equity holders of the parent		<u>8,067</u>	<u>8,025</u>

The notes on page 31 to 74 are an integral part of these consolidated financial statements.

Approved on behalf of the board on 7 March 2013 by:



T.J. O'Neill
Chairman



N.A. Hatcliff
Managing Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2012

	Share capital £'000	Share premium £'000	Capital Conversion Reserve £'000	Retained earnings £'000	Total £'000
At 1 January 2011	1,493	3,156	23	2,828	7,500
Net profit for the year	-	-	-	362	362
Total comprehensive income for the year	-	-	-	362	362
Credit in respect of employee share schemes	-	-	-	1	1
Issue of share capital	181	73	-	-	254
Equity dividends paid (recognised directly in equity)	-	-	-	(92)	(92)
At 31 December 2011	1,674	3,229	23	3,099	8,025
Net loss for the year	-	-	-	(79)	(79)
Total comprehensive income for the year	-	-	-	(79)	(79)
Issue of share capital	167	83	-	-	250
Transactions with owners	167	83	-	(79)	171
Share issue costs	-	(36)	-	-	(36)
Equity dividends paid (recognised directly in equity)	-	-	-	(93)	(93)
At 31 December 2012	1,841	3,276	23	2,927	8,067

The notes on page 31 to 74 are an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

<i>for the year ended 31 December 2012</i>	Notes	2012 £'000	2011 £'000
(Loss)/profit on continuing activities before taxation		(55)	406
Adjustments for:			
Finance expenses		287	275
Finance income		-	(15)
Finance expenses – notional interest		(28)	-
Fair value losses on interest rate swaps/caps		(44)	(89)
Other Income		(109)	(190)
Unrealised gain on derivative financial instrument		49	190
Depreciation – property, plant and equipment		595	569
Employee share schemes		-	1
		695	1,147
Changes in working capital and provisions:			
Increase in inventories		(39)	-
Decrease/(increase) in trade and other receivables		676	(523)
(Decrease)/increase in payables		(1,034)	425
Increase/(decrease) in provisions		6	(370)
Cash generated from operations		304	679
R22 income received		356	-
Interest paid – bank loans and overdrafts		(215)	(186)
Taxation (paid)/received		(69)	11
Net cash from operating activities		376	504
Investing activities			
Payments to acquire subsidiary		(3,500)	-
Cash acquired as part of acquisition		3,312	-
Interest received		-	15
Purchase of property, plant and equipment		(1,515)	(564)
Net cash used in investing activities		(1,703)	(549)
Financing activities			
Dividends paid to shareholders	26	(93)	(92)
Share issue proceeds		250	254
Share issue costs		(36)	-
Invoice finance receipts		1,142	278
Finance lease funding		-	155
Finance lease capital repayments		(46)	(28)
Term loan advance		900	-
Term loan repayments		(737)	(666)
Net cash from/(used) in financing activities		1,380	(99)
Net increase/(decrease) in cash and cash equivalents	25	53	(144)
Cash and cash equivalents and bank overdrafts, Beginning of period		50	194
Cash and cash equivalents end of period	25	103	50

The notes on page 31 to 74 are an integral part of these consolidated financial statements.

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

1 General information

Norish plc is a provider of temperature controlled, ambient storage, supplies of protein to major food manufacturing and wholesale companies and other related services to the food industry in the United Kingdom.

The company is listed on the Alternative Investments Market (“AIM”), and is incorporated and domiciled in the Republic of Ireland. The address of its registered office is Norish plc, 6th Floor, South Bank House, Barrow Street, Dublin 4, Republic of Ireland.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

The consolidated financial statements of Norish plc have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union, applicable Irish law and the AIM rules.

The financial statements have been prepared under the historical cost convention as modified by the revaluation of financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies.

Going concern

The Directors, having made appropriate enquiries, have a reasonable expectation that the Group as a whole has adequate resources to continue in operation for the foreseeable future.

The Group has prepared profit and cashflow forecasts that show that it will be able to trade within the current facilities. The group borrowings are underpinned by a portfolio of freehold and long leasehold properties and at the year end there were agreed, but undrawn facilities of £1.2m.

During the year the bank provided a 10 year Term loan of £0.9m to fund a major capital project. The Group renegotiated bank covenants during the year following the acquisition of Townview Foods Limited and has held discussions with its bankers in advance of the annual renewal of facilities in April 2013 about its future funding requirements. The Group keeps the bank informed on a monthly basis of actual results, forecasts and covenant compliance issues and continues to have the support of the bank. The directors therefore have a reasonable expectation that the group's facilities will be renewed.

While the major part of the group's funding is provided by the group's bankers, the directors keep under review other funding opportunities.

Taking into account all of the above the directors consider it appropriate to adopt the going concern basis in preparing the financial statements.

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

Changes in accounting policies

The Group has adopted the following new interpretations, revision and amendments to IFRS issued by the IASB, which are relevant to and effective for the Group's financial statements for the annual period beginning 1 January 2012:

- Amendment to IAS 12 Income Taxes

Amendment to IAS 12 Income Taxes

The amendment sets forth a presumption that, in the case of an investment property measured using the fair value model, recovery of the carrying amount will normally be through sale when determining the deferred tax related to the asset. The change is not relevant to the Group and there has been no change in accounting policy or presentation.

Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Group

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published by the IASB but are not yet effective, and have not been adopted early by the Group.

Management anticipates that all of the pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncement. Certain standards and interpretations that have been issued but are not expected to have a material impact on the Group's consolidated financial statements include:

- IFRS 1 Government Loans (Amendments to IFRS 1)
- IFRS 7 Disclosures: Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7)
- IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine

Information on new standards, amendments and interpretations that are expected to be relevant to the Group's consolidated financial statements is provided below. The effective date on all is from periods commencing 1 January 2013 unless otherwise stated.

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

IFRS 10 Consolidated Financial Statements (IFRS 10)

IFRS 10 supersedes IAS 27 Consolidated and Separate Financial Statements (IAS 27) and SIC 12 Consolidation – Special Purpose Entities. It revised the definition of control together with accompanying guidance to identify an interest in a subsidiary. However, the requirements and mechanics of consolidation and the accounting for any non-controlling interests and changes in control remain the same.

IFRS 11 Joint Arrangements (IFRS 11)

IFRS 11 supersedes IAS 31 Interests in Joint Ventures (IAS 31). It aligns more closely the accounting by the investors with their rights and obligations relating to the joint arrangement. In addition, IAS 31's option of using proportionate consolidation for joint ventures has been eliminated. IFRS 11 now requires the use of the equity accounting method, which is currently used for investments in associates.

IFRS 12 Disclosure of Interests in Other Entities (IFRS 12)

IFRS 12 integrates and makes consistent the disclosure requirements for various types of investments, including unconsolidated structured entities. It introduces new disclosure requirements about the risks to which an entity is exposed from its involvement with structured entities.

Consequential amendments to IAS 27 Separate Financial Standards (Revised 2011) and IAS 28 Investments in Associates and Joint Ventures (Revised).

As a result of the publication of IFRS 10, IFRS 11 and IFRS 12 above, IAS 27 now only deals with separate financial statements, and IAS 28 brings investments in joint ventures into its scope. The requirements for separate financial statements are substantially unchanged from the previous version of IAS 27, and the requirements on how to apply equity accounting are unchanged from the previous version of IAS 28. Management therefore expect the impact of these amendments to be low for the Group's consolidated financial statements.

IFRS 13 Fair Value Measurement (IFRS 13)

IFRS 13 does not affect which items are required to be fair-valued, but clarifies the definition of fair value and provides related guidance and enhanced disclosures about fair value measurements. It is applicable for annual periods beginning on or after 1 January 2013. The Group's management have yet to assess the impact of this new standard.

Annual Improvements to IFRSs 2009 – 2011 Cycle

This is a collective of amendments to IFRSs resulting from issues discussed and subsequently included in an Exposure Draft published in June 2011. Management have yet to assess the impact of these issues on the Group's consolidated financial statements.

Amendments to IAS 1 Presentation of Items of Other Comprehensive Income (IAS 1)

The IAS 1 Amendments require an entity to group items presented in other comprehensive income into those that, in accordance with other IFRSs: (a) will not be reclassified subsequently to profit or loss and (b) will be reclassified subsequently to profit or loss when specific conditions are met. It is applicable for annual periods beginning on or after 1 July 2012. The Group's management expects this will change the current presentation of items in other comprehensive income. However, it will not affect the measurement or recognition of such items.

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

Amendments to IAS 19 Employee Benefits (IAS 19)

The IAS 19 Amendments include a number of changes relating to defined benefit plans. They eliminate the ‘corridor method’, requiring entities to recognise all gains and losses arising in the reporting period; streamline the presentation of changes in plan assets and liabilities; and enhance the disclosure requirements, including information about the characteristics of defined benefit plans and the risks that entities are exposed to through participation in them.

The amended version of IAS 19 is effective for financial years beginning on or after 1 January 2013. The Group’s management have yet to assess the impact of this revised standard on the Group’s Consolidated Financial Statements. However, the impact is expected to be limited as the Group does not have a defined benefit pension arrangement.

IAS 32 Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32 effective from 1 January 2014)

This amendment adds application guidance to IAS 32 to address inconsistencies in applying the criteria for offsetting financial assets and financial liabilities. Management have yet to assess the impact of these amendments to the Group’s consolidated financial statements.

IFRS 10, 12 & IAS 27 Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27 effective from 1 January 2014)

Many commentators have long held the view that consolidating the financial statements of an investment entity and its investees does not provide the most useful information. Consolidation makes it more difficult for investors to understand what they are most interested in – the value of the entity’s investments. This amendment therefore defines an investment entity and provides detailed application guidance on that definition. Entities that meet the definition are required to measure investments that are controlling interests in another entity (in other words, subsidiaries) at fair value through the profit or loss instead of consolidating them. The amendments also introduce new disclosure requirements for investment entities. Management have still to assess any impact of this new standard on the Group’s consolidated financial statements.

IFRS 9 Financial Instruments (effective from 1 January 2015)

The IASB aims to replace IAS 39 Financial Instruments: Recognition and Measurement in its entirety. The replacement standard (IFRS 9) is being issued in phases. To date, the chapters dealing with recognition, classification, measurement and derecognition of financial assets and liabilities have been issued. These chapters are effective for annual periods beginning 1 January 2015. Further chapters dealing with impairment methodology and hedge accounting are still being developed.

Management have yet to assess the impact that this amendment is likely to have on the financial statements of the Group. However, they do not expect to implement IFRS 9 until all of its chapters have been published and they can comprehensively assess the impact of all changes.

Consolidation Standards

A package of consolidation standards are effective for annual periods beginning on or after 1 January 2013. Information on these new standards is presented above. (IFRS 10, IFRS11, IFRS 12, IAS 27 and IAS 28) The Group’s management have yet to assess the impact of these new and revised standards on the Group’s Consolidated Financial Statements.

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

Basis of consolidation

The Group's Consolidated Financial Statements include the results of Norish plc and its subsidiary undertakings for that period.

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated using the equity method from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred.

The accounting policies of the subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group. Where necessary, consolidation adjustments have been made to ensure that the Group accounts apply consistent accounting policies.

Business combinations and goodwill

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group.

Goodwill represents the excess of the fair value of the purchase consideration for the subsidiary undertakings over the fair value of the identifiable assets, including any intangible assets identified, and liabilities of a subsidiary at the date of acquisition. Contingent consideration is recognised at its fair value at the acquisition date. It is both classified and subsequently measured in accordance with the Group's accounting policy for financial instruments. Transactions costs that are directly attributable to the business combination are expensed as incurred and included within Administrative Expenses.

Goodwill arising on acquisitions is capitalised and subject to impairment review at least annually, but also when there are indications that the carrying value may not be recoverable. Any impairment is recognised immediately in the Consolidated Statement of Comprehensive Income and is not subsequently reversed.

Prior to 1 January 1997, goodwill was written off to reserves in the year of acquisition. Goodwill after this date until the adoption of IFRS on 1 January 2006 was capitalised and amortised over its useful economic life, which was presumed to be 20 years. The Group has elected not to apply IFRS 3 "Business combinations" (as updated by IFRS 3(R)) retrospectively to business combinations that took place before 1 January 2006 and, as a result, all goodwill arising from prior business combinations has been frozen at this date. Any goodwill remaining on the consolidated statement of financial position at transition is no longer being amortised but is subject to impairment review.

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and any impairment in value. Historical cost includes all expenditure that is directly attributable to the acquisition of the assets. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when the costs provide enhancement, it is probable that future economic benefits associated from the item will flow to the Group and the cost of the enhancement can be measured reliably. The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. Assets carrying amount is written down immediately to its recoverable amount if the assets carrying amount is greater than the estimated recoverable amount. All other repair and maintenance costs are charged to the profit or loss during the financial period in which they are incurred.

With the exception of freehold land, depreciation is provided to write off the cost less the estimated residual value of property, plant and equipment by equal annual instalments over their estimated useful economic lives (or lease terms if shorter) which are as follows:

Freehold buildings	50 to 55 years
Leasehold buildings	35 years
Plant and equipment	3 to 10 years

Freehold land is not depreciated.

Impairment charges

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use based on an internal discounted cash flow evaluation. Impairment losses recognised for cash-generating units, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist.

Impairment reviews of goodwill are carried out annually and any impairment recognised is recorded in the Consolidated Statement of Comprehensive Income.

Revenue recognition

Revenue, which arises principally from storage and handling income and the sale of goods, represents net sales to customers outside the Group, and excludes Value Added Tax. Income from sub-letting of warehouses is also included in revenue.

Handling revenue when invoiced relates to the receipt and eventual delivery of goods. The portion that relates to the delivery is recognised when the goods are delivered out of store. Revenue in respect of the storage is invoiced in advance and is recognised over the period that the storage is provided. Revenue from the sale of goods in the protein trading business is recognised on an invoice basis which coincides with dispatch of goods and is the point when the Group earns its right to consideration.

Revenue from all other activities is recognised in the periods in which the services are provided.

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Financial assets/liabilities and available for sale assets

The Group classifies its financial assets/liabilities in the following categories: at fair value through profit or loss, loans and receivables, or available for sale. The classification depends on the purpose for which the financial assets/liabilities were acquired. Management determines the classification of its financial assets/liabilities at initial recognition.

An assessment of whether a financial asset is impaired is made at least at each reporting date. Receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. Receivables are considered for impairment on a case for case basis when they are past due at the Consolidated Statement of Financial Position date or when objective evidence is received that a specific counterparty will default.

a) Financial assets/liabilities at fair value through profit or loss

The financial assets/liabilities relate to derivatives. The Group utilises interest rate swaps to hedge against its interest rate exposure. The Group has also protected its interest in refrigerant gas by way of an option to purchase. The interest rate swaps and refrigerant gas are initially recorded at fair value and the fair value is re-measured at each consolidated statement of financial position date. Fair value is obtained from external market valuations on the basis that there is an active market for the refrigerant gas and the interest rate swaps and caps. Gains and losses arising from changes in fair value are recognised in the profit or loss in the period in which they arise. All recognised gains or losses resulting from the settlement of the interest rate swap contract are recorded within Finance Expenses in the profit or loss. All recognised gains or losses resulting from the option to purchase refrigerant gas are recorded in Other Income in profit or loss. Contingent consideration has been classified as a financial liability at fair value through profit or loss. All gains and losses resulting from changes in the fair value of contingent consideration are recognised in Other Income in profit or loss. The Group does not hedge account.

b) Loans and receivables

These are non derivative financial assets with fixed or determinable payments that are not quoted on an active market. They are included in current assets, except for maturities greater than 12 months after the Consolidated Statement of Financial Position date, which are classified as non-current assets. Loans and receivables are carried at amortised cost.

Purchases and sales of financial assets are recognised on the trade date (the date at which the Group commits to purchase or sell the asset). Financial assets are derecognised when the rights to receive the cash flows have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership. Any impairment recognised are recorded in the Consolidated Statement of Comprehensive Income.

Trade receivables

Trade receivables are recognised initially at fair value and subsequently re-measured at amortised cost, less provision for impairment. Trade receivables are first assessed individually for impairment, or collectively where the receivables are not individually significant. Where there is no objective evidence of impairment for an individual receivable, it is included in a group of receivables with similar credit risk characteristics and these are collectively assessed for impairment. Movements in the provision for impairment of trade receivables are recorded in the profit or loss.

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

Taxation

Current tax is the tax currently payable based on taxable profit for the year.

Deferred income taxes are calculated using the liability method on temporary differences. Deferred tax is generally provided on the difference between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill, nor on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with shares in subsidiaries is not provided if reversal of these temporary differences can be controlled by the group and it is probable that reversal will not occur in the foreseeable future. In addition, tax losses available to be carried forward as well as other income tax credits to the group are assessed for recognition as deferred tax assets.

Deferred tax liabilities are provided in full, with no discounting. Deferred tax assets are recognised to the extent that it is probable that the underlying deductible temporary differences will be able to be offset against future taxable income. Current and deferred tax assets and liabilities are calculated at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the Consolidated Statement of Financial Position date.

The Group have applied the dual recovery method of deferred tax, where deemed appropriate, with regard to properties which are expected to be disposed of in the near future. This allows the Group to calculate the basis of recovery of the depreciable amount through use, followed by the recovery of the residual value through disposal.

Changes in deferred tax assets or liabilities are recognised as a component of tax expense in the profit or loss, except where they relate to items that are charged or credited directly to other comprehensive income in which case the related deferred tax is also charged or credited directly to other comprehensive income.

Foreign currencies

Transactions in foreign currencies by individual entities are recorded using the rate of exchange ruling at the date of the transaction. The gains or losses on translation are included in the profit and loss. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the Consolidated Statement of Financial Position date and the gains or losses on translation are included in the other comprehensive income.

Non-monetary items measured at historical cost are translated using the exchange rates at the date of the transaction (not retranslated). Non-monetary items measured at fair value are translated using the exchange rates at the date when fair value was determined. The gains or losses on translation are included in the other comprehensive income.

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

Leased assets

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Expenditure on operating leases is charged to the profit or loss on a basis representative of the benefit derived from the asset, normally on a straight-line basis over the lease period. Benefits received as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

Assets held under finance leases are capitalised and included in property, plant and equipment at fair value. Leases of land and buildings are classified separately and are split into a land and building element in accordance with the relative fair values of the leasehold interest at the date the asset is recognised initially. Depreciation is calculated using expected useful lives on the same basis as owned assets or, where shorter, over the term of the relevant lease. The capital elements of obligations under finance leases are recorded as liabilities. The interest element is charged to the profit or loss over the lease term to give a constant periodic rate of interest on the outstanding liability.

Pension costs

The costs of providing defined contribution pensions are charged to administrative expenses as they fall due. The scheme funds are administered by trustees and are independent of the Group's finances. Differences between the amounts charged to the profit or loss and payments made to the pension scheme are treated as prepayments or accruals, as necessary.

Dividends

Distributions to equity holders are not recognised in the profit or loss, but are disclosed as a component of the movement in shareholders' equity. Dividends unpaid at the consolidated statement of financial position date are only recognised as a liability at that date to the extent that they are appropriately authorised and no longer at the discretion of the Company. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements. Dividends are paid in Euros. Under the Twin Share Scheme Shareholders can opt to receive their dividends in Sterling if they make the appropriate election in time to the company register. The Euro amount is converted to Sterling at the official exchange rate 14 days before the payment date.

Net cash and cash equivalents

Net cash and cash equivalents in the Consolidated Statement of Financial Position and Consolidated Cash Flow Statement comprise of cash at bank and in hand and short-term deposits with an original maturity of less than three months.

Inventories

Inventories are valued at the lower of cost and net realisable value. Cost includes all expenditure incurred in the normal course of business in bringing the products to their present location and condition.

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

Share based payments

The Group issues equity-settled share-based payments to certain employees. In accordance with IFRS 2, “Share-based payments”, equity-settled share-based payments are measured at fair value at the date of grant. Fair value is measured by use of the Black-Scholes pricing model. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group’s estimate of the number of shares that will eventually vest.

The Group has applied the exemption available, and has applied the provisions of IFRS 2 only to those options granted after 7 November 2002 and which were outstanding at 1 January 2006 and all options issued since that date.

The share-based payments charge is allocated to administrative expenses on the basis of headcount.

Employer’s taxes on share options

Employer’s National Insurance in the UK and equivalent taxes in other jurisdictions are payable on the exercise of certain share options. In accordance with IFRS 2, this is treated as a cash-settled transaction. A provision is made, calculated using the fair value of the Group’s shares at the Consolidated Statement of Financial Position date, pro-rated over the vesting period of the options.

Equity

Share capital represents the nominal value of shares that have been issued.

Share Premium includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium, net of any related income tax benefits.

Retained earnings include all current and prior period retained profits.

All transactions with owners of the parent are recorded separately with equity.

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

3 Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk, fair value refrigerant gas risk) credit risk and liquidity risk. The Group's overall risk management programme seeks to minimise potential adverse effects on the Group's financial performance. The Group uses certain derivative instruments to minimise certain risk exposures.

a) Market risk

i) Foreign exchange risk

The Group has exposure to foreign exchange risk in respect of its protein trading division. It manages this risk by mainly purchasing euros at a fixed rate forward and using this rate in establishing a selling price for its goods in order to maintain an acceptable margin.

ii) Cash flow and fair value interest rate risk

As the Group has no significant interest bearing assets, the Group's income and operating cash flows are substantially independent of changes to market interest rates.

The Group's interest rate risk arises from long term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. During 2012 and 2011, the Group's borrowings at variable rate were denominated in Pounds Sterling.

The Group manages its cash flow interest rate risk by using interest rate swaps and caps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. Under the interest rate swap, the Group agrees with HSBC Bank plc to exchange, at quarterly intervals, the difference between fixed contract rates and floating-rate interest amounts by reference to the agreed notional amounts.

At 31 December 2012, if interest rates had been 1% higher with all other variables held constant, post tax profit for the year would have been £40,000 lower, mainly as a result of higher interest expenses on floating rate borrowings.

At 31 December 2011, if interest rates had been 1% higher with all other variables held constant, post tax profit for the year would have been £32,000 lower, mainly as a result of higher interest expenses on floating rate borrowings.

iii) Refrigerant gas price risk

Refrigerant gas price risk is evaluated regularly by management to ensure that sufficient supplies are available to meet day to day requirements together with ensuring that the groups asset is not exposed to adverse market rate risk. Professional advisors are engaged to advise management on the market conditions.

At 31 December 2012, if refrigerant R22R gas price per kg had been £1 lower, post tax profit for the year would have been £22,000 lower.

At 31 December 2011, if refrigerant R22R gas price per kg had been £1 lower, post tax profit for the year would have been £39,000 lower.

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

iv) Contingent consideration market risk

The Group recognised contingent consideration of £1,588,000 in connection with the acquisition of Townview Foods Limited (see note 31). The directors have valued the contingent consideration using a probability weighted discounted cash flow model. The most significant assumption is the quantum of earnings before interest and tax of Townview Foods Limited for each of the next five years. Should the expected level of earnings before interest and tax of Townview Foods Limited be 5% lower than that modelled, post tax profit for the year would be £79,000 higher.

b) Credit risk

Credit risk is managed on a Group basis. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks, as well as credit exposure to customers, including outstanding receivables and committed transactions.

The credit risk in relation to trade receivables is reduced because, in most cases, the Group has physical custody of the customer's inventory. While this does not legally constitute collateral in respect of trade receivables, it does provide the Group with a degree of leverage over customers with overdue receivables balances.

c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Group aims to maintain flexibility in funding by keeping committed credit lines available.

The Group aims to ensure that a significant portion of its borrowings should mature in more than one year.

The table below analyses the Group's financial liabilities which will be settled on a net basis into relevant maturity groupings based on the remaining period at the Consolidated Statement of Financial Position to the contractual maturity period. The amounts disclosed in the table below are the contractual undiscounted cash flows.

At 31 December 2012:

	Within 1 year £'000	1 to 2 years £'000	2 to 5 years £'000	Greater than 5 years £'000	Total £'000
Trade payables	2,554	-	-	-	2,554
Bank overdraft	-	-	-	-	-
Invoice finance	1,420	-	-	-	1,420
Finance Leases	51	30	-	-	81
Term loan Interest	168	167	402	234	971
SWAP Interest	44	44	71	-	159
Bank loans	745	745	2,234	2,881	6,605
Deferred consideration	207	334	1,451	-	1,992
	5,189	1,320	4,158	3,115	13,782

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

At 31 December 2011:

	Within 1 year £'000	1 to 2 years £'000	2 to 5 years £'000	Greater than 5 years £'000	Total £'000
Trade payables	1,559	-	-	-	1,559
Bank overdraft	-	-	-	-	-
Invoice finance	278	-	-	-	278
Finance Leases	56	56	31	-	143
Term loan Interest	110	112	314	272	808
SWAP Interest	44	44	116	-	204
Bank loans	667	667	2,000	3,108	6,442
	2,714	879	2,461	3,380	9,434

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, to return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio, calculated as net borrowings (cash less total borrowings) divided by shareholders equity (excluding goodwill). The group has managed to increase shareholders funds from £8.0m to £8.1m. Arising from the acquisition of Townview Foods Limited, goodwill of £2,338k has been created. This has resulted in the gearing ratio increasing from 87% to 145% as detailed below. The increase has resulted from the acquisition of Townview Foods Limited.

The Group's strategy is to reduce the net borrowings as soon as possible.

The gearing ratios at 31 December 2012 and 2011 were as follows:

	2012	2011
	£'000	£'000
Total borrowings	8,106	6,847
Less cash and cash equivalents	103	50
Net borrowings	8,003	6,797
Net assets	8,067	8,025
Less goodwill	2,554	216
Capital employed	5,513	7,809
Gearing ratio	145%	87%

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3.3 Fair value estimation

The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to the short term nature of trade receivables and payables.

Assets measured at fair value as at 31 December 2012

	Total £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000
Financial assets/liabilities at fair Value through profit or loss				
<i>Interest rate swaps/caps</i>	146	146	-	-
<i>Contingent consideration</i>	1,725	-	1,725	-
Available for sale financial assets				
<i>Derivative financial instruments</i>	422	-	422	-
Total	2,293	146	2,147	-

4 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates, will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of carrying a material adjustment to the carrying amounts of assets and liabilities within the next financial year are in relation to the impairment review of goodwill.

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy set out in Note 2. Further details are set out in Note 12.

The Group provides for dilapidations in respect of properties that it leases where a repairing obligation exists. The Group takes professional advice in this area and uses its best judgement to provide for these where necessary under provisions and accruals. It is uncertain as to when they are likely to be paid.

The Group recognises revenue in the period which the services are provided. An appropriate proportion of handling revenue invoiced in advance is deferred until the inventory is despatched.

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

As disclosed in note 14 to the financial statements, the group hold an option to purchase 24,868KG (2011:44,808kg) of re-cycled R22 at £4.05 per kg which is below current market value. Under IAS 39 the group must assign a fair value to this option and this must be done by applying a recognised valuation technique. In order to assess the valuation at 31 December 2012, the Group obtained an independent valuation of the option which was calculated by applying a discounted cash-flow, with the assistance of a valuation expert. The key assumptions applied to this calculation were an annual discount factor of 7.3%; price points were selected based on the Groups stated strategy for sale which is within 1 year; price trajectories set based on current market information with an assumed maximum price of £24 per kg applied and probabilities assigned based on the current market knowledge of the R22 market.

The Group has made a critical judgement and applied the dual recovery method with regard to deferred tax in respect of its property portfolio. This could materially impact on future results if this fails to materialise. It is expected to sell one of its freehold properties within the next 2 years, which if this does not materialise then it will have an impact on the deferred tax calculation in future years.

The Group has carried out an impairment review at its Wrexham site in 2012. It has assumed that the site will achieve its budgeted contribution in 2012 and increase contribution by 2.5% in 2014. The annual discount factor applied in this review was 7.3% and a critical assumption is that the site will be disposed of within 2 years.

The Group recognised contingent consideration of £1,588,000 in connection with the acquisition of Townview Foods Limited (see note 31). The directors have valued the contingent consideration using a probability weighted discounted cash flow model. The key assumption used in the calculation was an annual discount factor of 7.3%. The most significant assumption is the quantum of earnings before interest and tax of Townview Foods Limited for each of the next five years. Initially, the directors have used the acquisition model to determine the fair value as this provided the business case to support the acquisition of Townview Foods Limited. Turnover and gross profit margins were below what was initially forecasted for the period of acquisition to the 31st December 2012 as they were impacted by the recent economic events. However, in future periods, the directors will need to re-assess the performance of Townview Foods Limited, both in the light of actual performance to date and expected future performance, which may require adjustments to contingent consideration.

The Group values its SWAP/CAP arrangements with the bank using the Mark to market for the period representing the unexpired period of the SWAP/CAP. The basis of the formula for calculating a Swap valuation is that current swap rate on the "bid" side against the Group SWAP/CAP rate.

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5 Segmental information

Following the acquisition of Townview Foods Limited, management identifies the Group's three service lines as operating segments. These operating segments are monitored and strategic decisions are made on the basis of segment operating results. The Group operates in one geographical segment, being the United Kingdom.

Segment information can be analysed as follows for the reporting periods under review:

- Ambient storage locations
- Cold storage locations
- Protein trading business

During 2012 £1.661m or 11.2% of the Group's revenues depended on a single customer in the cold storage segment. (2011 £1.571m or 14.0%).

Revenue from continuing operations in 2012 includes £206,000 (2011: £206,000) in relation to the sub-letting of Felixstowe warehouses. This is attributed to the ambient storage segment.

The segment results for the year ended 31 December 2012 are:

	Protein Trading	Ambient Storage	Cold Storage	Unallocated	Total
	£'000	£'000	£'000	£'000	£'000
Total segment revenue	3,231	811	10,834	-	14,876
Revenue	3,231	811	10,834	-	14,876
Operating profit	131	97	321	(317)	232
Finance cost-fair value loss	-	-	-	(44)	(44)
Finance cost-Interest paid	-	-	-	(215)	(215)
Finance cost – notional interest	(28)	-	-	-	(28)
Profit before income tax	103	97	321	(576)	(55)
Income tax – corporation tax	(14)	-	-	(19)	(33)
Income tax – deferred tax	-	-	(31)	40	9
Profit for the year	89	97	290	(555)	(79)

Other segment items:

	Protein Trading	Ambient Storage	Cold Storage	Unallocated	Total
	£'000	£'000	£'000	£'000	£'000
Depreciation (Note 13)	-	60	535	-	595

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

The segment results for the year ended 31 December 2011 are:

	Ambient Storage £'000	Cold Storage £'000	Unallocated £'000	Total £'000
Total segment revenue	890	10,323	-	11,213
Revenue	890	10,323	-	11,213
Operating profit	134	532	-	666
Finance income	-	-	15	15
Finance cost-fair value loss	-	-	(89)	(89)
Finance cost-Interest paid	-	-	(186)	(186)
Profit before income tax	134	532	(260)	406
Income tax – corporation tax	-	-	(80)	(80)
Income tax – deferred tax	-	-	36	36
Profit for the year	134	532	(304)	362
Other segment items:				
	Ambient Storage £'000	Cold Storage £'000	Unallocated £'000	Total £'000
Depreciation (Note 13)	61	508	-	569

Segment assets in respect of the trading divisions, consists primarily of property, plant and equipment, goodwill, refrigerant gas, trade and other receivables. Unallocated assets comprise financial assets at fair value through profit or loss.

Segment liabilities consist primarily of trade and other payables. Unallocated liabilities comprise items such as current tax liabilities, deferred tax, and financial liabilities at fair value through consolidated statement of comprehensive income, provisions and borrowings.

Capital expenditure comprises additions to property, plant and equipment.

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

The segment assets and liabilities at 31 December 2012 and the capital expenditure for the year then ended are as follows:

	Protein Trading £'000	Ambient Storage £'000	Cold Storage £'000	Unallocated £'000	Total £'000
Assets	4,278	2,628	16,248	552	23,706
Liabilities	4,216	67	1,965	9,391	15,639
Capital expenditure (Note 13)	-	6	1,509	-	1,515
Capital disposals (Note 13)	-	2	467	-	469

The segment assets and liabilities at 31 December 2011 and the capital expenditure for the year then ended are as follows:

	Ambient Storage £'000	Cold Storage £'000	Unallocated £'000	Total £'000
Assets	2,724	15,414	1,003	19,141
Liabilities	337	2,075	8,704	11,116
Capital expenditure (Note 13)	3	561	-	564

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6 Other income	2012 £'000	2011 £'000
Fair value gain	522	851
Option price payable at exercise date	(101)	(181)
Price paid to obtain option	-	(70)
Profit on realised sale	60	-
Less: gain recognised in prior years	(372)	(410)
Contingent consideration (see note 17)	-	-
	<u>109</u>	<u>190</u>

We currently use R22 refrigeration gas at three of our cold stores. R22 is a Hydrochlorofluorcarbon (HCFC) which is classed as an ozone depleting gas and with effect from 1st January 2010 it is no longer possible to purchase virgin R22. However, the use of re-cycled R22 is still permitted until 31st December 2014. We currently have an option to purchase 24,868 kg (2011: 44,808 kg) of re-cycled R22 at £4.05 per kg which is below the current market value. During the year we exercised a proportion of our option and sold 19,940 kg, resulting in a realised profit of £60,000. Under IAS39 we have also accounted for an unrealised profit of £49,000 on the proportion of the option still held at 31 December 2012. This is based on a fair value option price of £16.95 per kg at 31st December 2012. The quantity of gas held is expected to be in excess of our own use requirement.

7 Staff costs

The average number of persons employed by the Group including executive directors is analysed into the following categories:

	2012	2011
Management	15	15
Administration	17	16
Technical	8	7
Operational	99	84
	<u>139</u>	<u>122</u>

The aggregate payroll costs of these persons were as follows:

	2012 £'000	2011 £'000
Wages and salaries	3,292	2,951
Share based payments (Note 23)	-	1
Social security costs	310	286
Other pension costs	149	130
	<u>3,751</u>	<u>3,368</u>

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

There was an accrual for £nil (2011 £nil) included above for pension costs at 31 December 2012.

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.

The Group is of the opinion that there are no other key management personnel other than the executive and non-executive directors. Details of directors' remuneration are set out in Note 28.

8 Financial income and expenses

	2012	2011
	£'000	£'000
Interest income	-	15
	—	—
Finance income	-	15
	—	—
Fair value losses on interest rate swaps/caps	(44)	(89)
Finance expense - Interest expense on bank overdrafts and loans	(215)	(186)
Finance expenses – notional interest on deferred consideration	(28)	-
	—	—
Finance costs	(287)	(275)
	—	—
Net finance costs	(287)	(260)
	====	====

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

9 (Loss)/profit before tax

The following items have been charged/(credited) to the Consolidated Statement of Comprehensive Income in arriving at (loss)/profit before tax:

	2012 £'000	2011 £'000
Depreciation of property, plant and equipment (Cost of Sales)	595	569
Staff costs, including share based payments (Note 7)	3,751	3,368
Foreign exchange gains	(10)	-
Townview Foods Limited acquisition costs	317	-
Rental Income	(206)	(206)
Rentals payable under operating leases		
- Buildings	943	931
- Plant and machinery	891	814
Auditors' remuneration - audit	35	23
- non-audit services	-	-

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

10 Income taxes

(a) Analysis of charge/(credit) in year	2012 £'000	2011 £'000
UK		
Corporation tax at 24.5% (2011: 26.5%)	17	74
Adjustment in respect of previous periods	(29)	(2)
Ireland		
Corporation tax at 12.5% (2011: 12.5%)	45	8
Adjustment in respect of previous periods	-	-
	<u>33</u>	<u>80</u>
Current tax charge	<u>33</u>	<u>80</u>
	<u>(1)</u>	<u>(17)</u>
Deferred tax credit (Note 22)	<u>(1)</u>	<u>(17)</u>
Deferred tax in respect of IBA	<u>(8)</u>	<u>(19)</u>
	<u>(9)</u>	<u>(36)</u>
Deferred tax credit	<u>(9)</u>	<u>(36)</u>
(b) Factors affecting tax charge for year		
	2012 £'000	2011 £'000
(Loss)/profit on ordinary activities before taxation	(55)	406
	<u>(55)</u>	<u>406</u>
(Loss)/profit on ordinary activities multiplied by standard UK tax rate 24.5%(26.5%)	(13)	108
	<u>(13)</u>	<u>108</u>
<i>Effects of:</i>		
Other expenses not deductible for tax purposes	45	27
Adjustment in respect tax payable on Irish Income (12.5%)	38	8
Adjustments in respect of previous periods	(29)	(2)
Adjustments in respect of IBA and tax rate change	(17)	(97)
	<u>24</u>	<u>44</u>
Total tax charge for year	<u>24</u>	<u>44</u>

The deferred tax credit of £9,000 (2011: credit £36,000) has arisen under IAS 12. In 2009 the company applied the dual recovery method in respect of one of its main assets which triggered a tax credit. The credit in 2012 relates to the temporary difference between the carrying value of the asset in the consolidated statement of financial position and its tax base. The dual recovery method continues to be applied as disposal of the asset is anticipated.

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

11 Earnings per share

Basic earnings per share figures are calculated by dividing the weighted average number of Ordinary Shares in issue during the period into the profit after taxation attributable to the owners of the parent for the year.

	2012	2011
(Loss)/profit attributable to owners of parent (£'000)	(79)	362
	=====	=====
Weighted average number of ordinary shares outstanding	9,532,431	8,510,301
	=====	=====
Basic earnings per share - continuing operations	(0.8)p	4.3p
	=====	=====

For the purposes of calculating diluted earnings per share, dilutive potential ordinary shares are deemed to have been converted into ordinary shares at the beginning of the period.

	2012	2011
(Loss)/ profit attributable to owners of parent (£'000)	(79)	362
	=====	=====
Weighted average number of ordinary shares outstanding	9,532,431	8,510,301
Dilutive effect of share options	-	-
	=====	=====
Weighted average number of shares for the calculation of diluted earnings per share	9,532,431	8,510,301
	=====	=====
Diluted earnings per share - total	(0.8)p	4.3p
	=====	=====

The exercise prices of all share options in issue are above the market share price and hence have no dilutive effect in the current year.

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

12 Goodwill

Group	Ambient £'000	Protein Division £'000	Total £'000
Cost			
At 1 January 2012	216	-	216
Acquisition	-	2,338	2,338
At 31 December 2012	216	2,338	2,554
Group	Ambient £'000	Protein Division £'000	Total £'000
Cost			
At 1 January 2011	216	-	216
Acquisition	-	-	-
At 31 December 2011	216	-	216

The cost and net book value of goodwill at 31 December 2012 was £2,554,000 (31 December 2011: £216,000). The goodwill at 31 December 2011 related to the acquisition of the ambient storage business, acquired in 2000. As disclosed in note 31, the Group acquired Townview Foods Limited during the year giving rise to goodwill of £2,338,000.

Goodwill has been allocated to the Group's cash generating units (CGUs) identified at each warehouse location and now including Townview Foods Limited. The cold storage warehouses throughout the United Kingdom are aggregated to form the cold storage business segment.

Of the goodwill at 31 December 2012, £216,000 has been allocated to the York warehouse. This warehouse forms part of the Group's ambient storage business segment. The recoverable amount of the CGU is based on the fair value of the site less costs to sell. The fair value is calculated with reference to the active land market.

The addition of goodwill in the year of £2,338,000 has been fully allocated to Townview Foods Limited which the directors consider represents a single CGU, being protein trading. The recoverable amount of the CGU is based upon value in use. The key assumption in determining value in use is the underlying profitability of the acquired business which depends upon a number of factors including prices and volumes negotiated with both key suppliers and customers. The business has an established trading history, which together with input from both the board and existing management team of Townview Foods Limited, has allowed cash flows to be derived for each of the next ten years. A discount rate of 7.3% has been used. A significant amount of the goodwill is linked to the value of the deferred consideration.

No impairment was recorded in 2012 (2011: £nil) and no reasonably foreseeable change in a key assumption would have given rise to an impairment, in either year.

The accumulated impairment at 31 December 2012 and 31 December 2011 was £nil.

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

13 Property, plant and equipment

Group	Freehold land		Plant and Equipment	Total
	Land	Leasehold Buildings		
	£'000	£'000	£'000	£'000
Cost				
At 1 January 2012	3,166	14,436	6,575	24,177
Additions	-	-	1,515	1,515
Disposals	-	-	(469)	(469)
At 31 December 2012	3,166	14,436	7,621	25,223
Depreciation				
At 1 January 2012	-	3,633	5,165	8,798
Charge for year	-	267	328	595
Disposal	-	-	(469)	(469)
At 31 December 2012	-	3,900	5,024	8,924
Net book value 31 December 2012	3,166	10,536	2,597	16,299
Freehold land				
Group	Leasehold		Plant and Equipment	Total
	Land	Buildings		
	£'000	£'000	£'000	£'000
Cost				
At 1 January 2011	2,718	14,884	6,011	23,613
Additions	-	-	564	564
Transfer	448	(448)	-	-
At 31 December 2011	3,166	14,436	6,575	24,177
Depreciation				
At 1 January 2011	-	3,364	4,865	8,229
Charge for year	-	269	300	569
At 31 December 2011	-	3,633	5,165	8,798
Net book value 31 December 2011	3,166	10,803	1,410	15,379

Included within the net book value of £16,299,000 is £137,000 (2011: £155,000) relating to assets held under finance lease. The depreciation charged in the financial statements in the year in respect of such assets amount to £16,000 (2011: £3,000).

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

14 Derivative financial instruments

	2012 £'000	2011 £'000
Refrigerant gas		
At 1 January	669	479
Opening fair value of sale in year	(296)	-
Fair value gain on remaining R22R gas	49	190
	<u> </u>	<u> </u>
At 31 December	<u>422</u>	<u>669</u>

We currently use R22 refrigeration gas at three of our cold stores. R22 is a Hydrochlorofluorcarbon (HCFC) which is classed as an ozone depleting gas and with effect from 1st January 2010 it is no longer possible to purchase virgin R22. However, the use of re-cycled R22 is still permitted until 31st December 2014. We currently have an option to purchase 24,868 kg (2011: 44,808 kg) of re-cycled R22 at £4.05 per kg which is below the current market value. During the year we exercised a proportion of our option and sold 19,940 kg, resulting in a realised profit of £60,000. Under IAS39 we have also accounted for an unrealised profit of £49,000 on the proportion of the option still held at 31 December 2012. This is based on a fair value option price of £16.95 per kg at 31st December 2012. The quantity of gas held is expected to be in excess of our own use requirement.

Under IAS 39 the group must assign a fair value to this option and this must be done by applying a recognised valuation technique. The Group prepared a discounted cash-flow, with the assistance of a valuation expert, to determine the fair value. The key assumptions applied to this calculation were an annual discount factor of 7.3%; price points were selected based on the Group's stated strategy for sale which is within 1 year; price trajectories set based on current market information with an assumed maximum price of £24 per kg applied and probabilities assigned based on the current market knowledge of the R22 market.

Some of this gas will be required for our own use but it is difficult to quantify the volume at this stage, however the majority of the contract will be used for commodity trading. As the majority of the contract is for commodity trading, it cannot be regarded as an own use contract and therefore the whole contract is within the scope of IAS 39.

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

15 Trade and other receivables

	2012	2011
	£'000	£'000
Trade receivables	3,426	1,729
Less: Provision for impairment of trade receivables	-	-
	<u>3,426</u>	<u>1,729</u>
Trade receivables - net	3,426	1,729
Other receivables	67	144
Prepayments	751	954
	<u>4,244</u>	<u>2,827</u>
	<u>4,244</u>	<u>2,827</u>

All amounts fall due within one year therefore the fair value is considered to be approximately equal to the carrying value. All of the Group's trade and other receivables are denominated in Pounds sterling.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivables mentioned above. The Group does not hold any collateral as security.

The group has entered into a confidential invoice discounting facility. This facility is secured on the trade receivables above.

As at 31 December 2012 no trade receivables (2011: £nil) were impaired. There have been no movements to the provision for impairment of trade receivables in the year. The other classes within trade and other receivables do not contain impaired assets.

As of 31 December 2012, trade receivables of £562,000 (2011: £509,000), were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these receivables is as follows:

	2012	2011
	£'000	£'000
Up to 3 Months	540	504
Over 3 Months	22	5
	<u>562</u>	<u>509</u>
	<u>562</u>	<u>509</u>

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

16 Inventories

	2012 £'000	2011 £'000
Goods for resale	84	-
	<u>84</u>	<u>-</u>
	<u><u>84</u></u>	<u><u>-</u></u>

Goods for resale consist of protein products purchased by Townview Foods Limited for resale.

17 Financial liabilities

	Contingent Consideration £'000	Swaps/Caps gains £'000	Total £'000
At 1 January 2011	-	13	13
Charged to the Consolidated Statement of Comprehensive Income	-	89	89
	<u>-</u>	<u>89</u>	<u>89</u>
At 31 December 2011	-	102	102
Charged to the Consolidated Statement of Comprehensive Income	28	44	72
Acquisition – Townview Foods Limited	1,588	-	1,588
Acquisition – net assets	110	-	110
	<u>1,726</u>	<u>146</u>	<u>1,872</u>
At 31 December 2012	1,726	146	1,872
	<u><u>1,726</u></u>	<u><u>146</u></u>	<u><u>1,872</u></u>
Current fair value financial liabilities	304	146	450
Non-current fair value financial liabilities	1,422	-	1,422
	<u>1,726</u>	<u>146</u>	<u>1,872</u>
At 31 December 2012	1,726	146	1,872
	<u><u>1,726</u></u>	<u><u>146</u></u>	<u><u>1,872</u></u>

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

Fair value of interest rate swaps/caps

The notional principal amount of the outstanding interest rate swaps contract at 31 December 2012 was £3m (2011: £3m).

The Group has an interest rate Cap in place for £3m (2011 : £3m) at 5% until 28 April 2014.

Financial assets/liabilities at fair value through profit or loss are presented within the section on investing activities in the Cash Flow Statement.

Changes in fair value of financial assets/liabilities through profit or loss are recorded within finance income/expense in the Consolidated Statement of Comprehensive Income see note 8.

The above assessment has been performed applying valuation techniques derived from quoted prices.

This assessment has been consistent between periods and as such it is considered that level 1 of the fair value hierarchy as defined in IFRS 7 has been applied consistently.

Contingent consideration

See note 31 in respect of contingent consideration.

The Group recognised contingent consideration of £1,588,000 in connection with the acquisition of Townview Foods Limited (see note 31). The directors have valued the contingent consideration using a probability weighted discounted cash flow model. The most significant assumption is the quantum of earnings before interest and tax of Townview Foods Limited for each of the next five years.

At date of acquisition the Group paid £2.75m for the net assets on completion. The net assets acquired were £2.858m and the balance of £0.110m to be paid in January 2013.

Of the total amount of contingent consideration recognised at 31 December 2012, £304,000 has been included within current liabilities and £1,422,000 has been included in non-current liabilities.

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

18 Trade and other payables

	2012 £'000	2011 £'000
Trade payables	2,554	1,559
Value added tax and payroll taxes	366	352
Accruals and deferred income	984	981
	<u>3,904</u>	<u>2,892</u>

All amounts are short term. The net carrying value of trade payables is considered a reasonable approximation of fair value.

19 Current tax liabilities

	2012 £'000	2011 £'000
Corporation tax - UK	529	73
Corporation tax - Ireland	37	8
	<u>566</u>	<u>81</u>

The above liabilities are all payable within 1 year.

20 Borrowings

	2012 £'000	2011 £'000
Current		
Finance Leases	51	46
Invoice finance	1,420	278
Term Loans	745	667
	<u>2,216</u>	<u>991</u>
Non Current		
Finance Leases	30	81
Non-current bank borrowings	5,860	5,775
	<u>5,890</u>	<u>5,856</u>
Total Borrowings	<u><u>8,106</u></u>	<u><u>6,847</u></u>

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

The Group arranged the following borrowing facilities with HSBC Bank plc and its subsidiary HSBC Invoice Finance Limited.

- (a) HSBC Bank plc agreed to a term loan of £7.5 million drawn down in December 2005 over a maximum period of 15 years and an overdraft facility of £0.3 million which is reviewed annually.
- (b) HSBC Bank plc agreed to a term loan of £2 million drawn down in March 2008 over a maximum period of 15 years.
- (c) HSBC Bank plc agreed to a term loan of £0.5 million drawn down in February 2010 over a maximum period of 15 years
- (d) HSBC Bank plc agreed to a term loan of £0.9 million drawn down in January 2012 over a maximum period of 10 years
- (e) HSBC Invoice Finance Limited agreed to allow the Group to borrow up to an amount equivalent to 85% of trade debtors in respect of Norish Limited debtors and 80% in respect of Townview Foods Limited debtors subject to an overall maximum limit of £3.25m (2011: £1.2m) which is reviewed annually.

Overdraft interest is charged quarterly at an interest rate of bank base rate plus 2.25% (2011: 2%). Invoice finance interest is charged on a daily basis at bank base rate plus 2.2% (2011: 2.05%). Term Loans (a) & (b) are charged quarterly at an interest rate of base rate plus 1.2% (2011: 1.2%). Term Loan (c) & (d) above are charged quarterly at an interest rate of base rate plus 2.75% (2011: 2.75%).

The group has the following SWAPS and CAPS in place:

- (a) £3m (2011: £3m) base rate cap fixing of 5% which expires on the 28th April 2014.
- (b) £3m (2011: £3m) swap at a fixed rate of 1.45% against base expiring on the 10th August 2016.

The liabilities of Norish Plc pursuant to these facilities agreements are secured by:

- (1) debentures creating first fixed and floating charges over all the assets, past present and future of Norish Limited and its subsidiaries;
- (2) unlimited multilateral guarantees given by all Group companies each guaranteeing payment of the liabilities of the other;
- (3) legal mortgages held over the Bury St. Edmunds, Wrexham, York, Gillingham and Leeds properties.

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

The fair value of the Group's financial liabilities as at 31 December 2012 was as follows:

	2012		2011	
	Book Value £'000	Fair Value £'000	Book Value £'000	Fair Value £'000
Current bank borrowings	2,216	2,216	991	991
Non-current bank borrowings	5,890	5,890	5,856	5,856
	<u>8,106</u>	<u>8,106</u>	<u>6,847</u>	<u>6,847</u>

The Group pays interest at the base rate plus a margin of 1.20% and 2.75% which is reviewed quarterly. It is assumed that the Book Value reflects the Fair Value.

The carrying amounts of the Groups borrowings are all denominated in Pounds Sterling.

The un-drawn committed facilities available to the Group are set out below:

	2012 £'000	2011 £'000
Floating rate, expiring within one year		
Term Loan	-	900
Invoice finance	808	922
Bank overdraft	400	300
	<u>1,208</u>	<u>2,122</u>

21 Provisions

	2012 £'000	2011 £'000
At 1 January	139	509
Utilisation of provision(transfer to accruals on settlement agreement)	-	(237)
Charged to the Consolidated Statement of Comprehensive income	6	25
Utilisation of provision(expenditure incurred in year)	-	(158)
	<u>145</u>	<u>139</u>
At 31 December	145	139

The provisions are in respect of property dilapidation costs at four of the Group's sites.

The provisions relate solely to property dilapidations. It is uncertain as to what the final amounts will be and when they are likely to be paid. The board have taken professional advice when calculating the extent of the provision.

As the dilapidations will not fall due until a period of at least twelve months after the Consolidated Statement of Financial Position, they are held as non-current liabilities.

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

22 Deferred tax

	2012 £'000	2011 £'000
Deferred tax assets:		
Deferred tax asset to be recovered after more than 12 months	-	-
Deferred tax asset to be recovered within 12 months	-	-
	<u> </u>	<u> </u>
	-	-
Deferred tax liabilities:		
Deferred tax liabilities to be recovered after more than 12 months	1,026	1,010
Deferred tax liabilities to be recovered within 12 months	20	45
	<u> </u>	<u> </u>
	1,046	1,055
	<u> </u>	<u> </u>
Deferred tax liabilities (net)	1,046	1,055
	<u> </u>	<u> </u>

The movement in deferred tax liabilities and assets during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred tax liabilities	Accelerated capital allowances £'000	Fair value gains £'000	Total £'000
At 1 January 2011	1,044	47	1,091
Charged to the Consolidated Statement of Comprehensive Income	(38)	2	(36)
	<u> </u>	<u> </u>	<u> </u>
At 31 December 2011	1,006	49	1,055
Charged/(credited) to the Consolidated Statement of Comprehensive Income	22	(33)	(9)
	<u> </u>	<u> </u>	<u> </u>
At 31 December 2012	1,028	16	1,046
	<u> </u>	<u> </u>	<u> </u>

The deferred tax liability due after more than one year prior to offsetting is £1,026,000 (2011: £1,010,000)

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

The gross movement on the deferred income tax amount is as follows:

	2012 £'000	2011 £'000
At 1 January	1,055	1,091
Consolidated Statement of Comprehensive Income (credit)/charge	(9)	(36)
Tax charged directly to equity	-	-
	<hr/>	<hr/>
At 31 December	1,046	1,055
	<hr/> <hr/>	<hr/> <hr/>

As a result of using the deferred tax dual recovery method in regard to the sale of assets it could potentially give rise to a deferred tax asset totalling £348,000 (2011 : £66,000). However, the board feels that it is highly unlikely that this will ever be recoverable and have not provided this amount in the accounts.

23 Share capital

	2012 £'000	2011 £'000
<i>Authorised</i>		
20,000,000 Ordinary shares of €25c each	3,527	3,527
	<hr/>	<hr/>
<i>Allotted, called up and fully paid</i>	Number	£'000
Ordinary shares of €25c each		
At 1 January 2011	8,466,230	1,493
Issued during the year	846,622	181
	<hr/>	<hr/>
At 31 December 2011	9,312,852	1,674
Issued during the year	833,333	167
	<hr/>	<hr/>
At 31 December 2012	10,146,185	1,841
	<hr/> <hr/>	<hr/> <hr/>

The total Ordinary shares in issue are 10,146,185 (2011: 9,312,852). These are all fully paid up. During the year, the company issued 833,333 Ordinary shares of €25c each for a total cash consideration of £250,000. The excess over nominal value of £83,000 (2011: £73,000) less share issue costs of £36,000 (2011: £nil) has been transferred to the share premium account.

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Share Premium

	2012	2011
	£'000	£'000
At 1 January	3,229	3,156
Share Issue	83	73
Funding costs	(36)	-
	<hr/>	<hr/>
At 31 December	3,276	3,229
	<hr/> <hr/>	<hr/> <hr/>

During the year, the company issued 833,333 (2011: 846,222) Ordinary shares of €25c each for a total cash consideration of £250,000. The excess over nominal value of £83,000 (2011: £73,000) less share issue costs of £36,000 (2011: £nil) has been transferred to the share premium account.

Share options

The Board shall in its absolute discretion select any number of individuals who may at the intended date of grant be participants and invite them to apply for the grant of options to acquire shares in the company. The subscription price at which shares may be acquired on the exercise of any option granted in response to the application shall be determined by the Board but shall not be less than the mid-market value of the share on the day the invitation to apply for the option is issued or the nominal value of the share.

The shares can be exercised between the third and the tenth anniversary of the date of grant, provided the Board is satisfied that there has been an increase in the earnings per share at least equivalent to the percentage increase in the Consumer Price Index plus 5% (or such greater percentage as is fixed by the Board) compound per annum.

The Group has applied the exemption available, and has applied the provisions of IFRS 2 only to those options granted after 7 November 2002 and which were not vested at 1 January 2006 and all options granted since that date.

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Movements in the number of share options outstanding and their related weighted average exercise price are as follows:

	2012		2011	
	Options Number	Weighted Average Exercise Price	Options Number	Weighted Average Exercise Price
Outstanding at 1 January	250,000	0.58	256,000	0.58
Granted	-	-	-	-
Cancelled	-	-	-	-
Lapsed	-	-	(6,000)	0.65
Exercised	-	-	-	-
	<u>250,000</u>	<u>0.58</u>	<u>250,000</u>	<u>0.58</u>
Outstanding at 31 December	250,000	0.58	250,000	0.58
	<u>250,000</u>	<u>0.58</u>	<u>250,000</u>	<u>0.58</u>
Exercisable at 31 December	250,000	0.58	250,000	0.58
	<u>250,000</u>	<u>0.58</u>	<u>250,000</u>	<u>0.58</u>

The share options outstanding at the end of the year expire June 2018 at an exercise price of 58p. The fair value of options granted was estimated on the date of grant using the Black-Scholes option pricing model. While the Black-Scholes model does not take into account the performance conditions attached to the award, the directors are of the opinion that the charge recorded would not be materially different if a lattice model (which would take such conditions into account) had been employed. The following assumptions were used for the option grant in 2007:

Modification date	27 th June 2008
Grant date	18 th September 2007
Share price at grant date	£0.58
Exercise price	£0.58
Shares under option	250,000
Vesting period (years)	3
Expected volatility	40%
Expected life (years)	3.5
Risk free rate	5%
Dividend yield	3%
Fair value per option	£42,500

A modification was carried out on the 27th June 2008 so that the shares would qualify under the Enterprise Management Incentive Scheme (EMI). The original shares issued under a HMRC unapproved company share option scheme were cancelled and new shares were issued to replace these under the EMI scheme.

Expected volatility was calculated at 40% which was relatively typical at the time of the grant of shares for a FTSE 100 company. The company has a 18% volatility over the past 5 years in September 2008 and November 2010.

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

24 Capital conversion reserve fund

	2012 £'000	2011 £'000
Capital conversion reserve fund	23	23
	<u> </u>	<u> </u>

During 1999 the company re-denominated the authorised share capital of the company from Irish Punts to Euro in accordance with Section 26 of the European Monetary Union Act 1998. This resulted in a reduction in respect of the issued shares which was transferred to the Capital conversion fund.

25 Cash and cash equivalents

	2012 £'000	2011 £'000
Cash at bank and on hand	103	50
	<u> </u>	<u> </u>
	103	50
	<u> </u>	<u> </u>

26 Dividends

	2012 £'000	2011 £'000
Final dividend paid in respect of the previous year of 1.25 cent (2011: 1.25cent) per ordinary share	93	92
Interim dividend paid in respect of the current year of Nil cent (2011: €Nil) per ordinary share	-	-
	<u> </u>	<u> </u>
Total dividends paid	93	92
	<u> </u>	<u> </u>

The board recommends the payment of a final dividend of 1.25 cent per share. This will be paid on the 25th October 2013 to those shareholders on the register on the 27th September 2013. It will bring the total dividend in respect of the financial year to 1.25 cent per share unchanged from last year.

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

27 Commitments and contingencies

(a) Operating leases

The Group leases various warehouses under non-cancellable operating lease agreements. The leases have varying lease terms, escalation clauses and renewal rights.

The Group also leases various plant and equipment under operating lease agreements. The lease expenditure charged in the year is shown in Note 9.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2012	2012	2012	2011	2011	2011
	Land and	Other		Land and	Other	
	Buildings	operating	Total	Buildings	operating	Total
	£'000	leases	£'000	£'000	leases	£'000
<i>Expiring:</i>						
Within one year	955	800	1,755	917	515	1,432
Between two and five years	3,221	2,067	5,288	3,278	814	4,092
Beyond five years	3,245	826	4,071	4,794	-	4,794
	-----	-----	-----	-----	-----	-----
	7,421	3,693	11,114	8,989	1,329	10,318
	=====	=====	=====	=====	=====	=====

(b) Guarantees on leasehold properties

The annual operating lease commitment on land and buildings of £955,000 (2011: £917,000) arises on leasehold properties, of which £370,000 (2011: £370,000) is subject to parent company guarantees.

The operating lease commitment is stated gross of annual sub-lease income of £194,000 (2011: £194,000).

(c) Capital commitments

At 31 December 2012, the Group had £46,000 (2011: £929,000) of capital projects authorised of which £46,000 (2011: £929,000) was contracted at 31 December 2012.

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

28 Directors' remuneration

	2012 £'000	2011 £'000
Ted O'Neill	121	118
Norman Hatcliff	159	143
Aidan Hughes	111	98
Torgeir Mantor	15	12
Willie McCarter	15	12
Sean Savage (Joined Oct 2012)	3	-
	<u>424</u>	<u>383</u>
	<u><u>424</u></u>	<u><u>383</u></u>
	2012 £'000	2011 £'000
Aggregate emoluments	358	324
Company pension contributions	66	59
	<u>424</u>	<u>383</u>
	<u><u>424</u></u>	<u><u>383</u></u>

Details of directors' interests in shares and share options are set out on pages 15 and 16.

Directors' remuneration shown above comprises all of the fees, salaries, pensions and other benefits and emoluments paid to Directors.

The basis of the Directors' remuneration and the level of bonuses paid are fixed by the Remuneration Committee of the Board.

29 Pensions

The Group operates a defined contribution scheme. The assets of the scheme are independent of the assets of Norish plc and are invested with assurance companies and are held in trusts for the employees concerned.

Total pension costs for the year were £149,000 (2011: £130,000).

There was an accrual for £nil (2011: £nil) included above for pension costs at 31 December 2012.

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 Group undertakings

Subsidiary undertakings	Holding		Nature of business
	Direct	Indirect	
Incorporated in Republic of Ireland			
Roebuck Investments Limited	95% (note 1)		Intermediate holding company
<i>Incorporated in Northern Ireland</i>			
Norish (U.K.) plc	100%		Investment company
Norish (N.I.) Limited	100%		Property management
Townview Foods Limited (subsidiary of Roebuck Investments Limited)		100%	Meat import
<i>Incorporated in England</i>			
Norish Limited (subsidiary of Norish (N.I.) Limited)		100%	Property management
Belvedere Warehousing Limited (subsidiary of Norish Limited)		100%	Non-trading
Norish Warehousing Limited (subsidiary of Belvedere Warehousing Limited)		100%	Non-trading

Note 1: As part of the transaction to acquire Townview Foods Limited, the vendor acquired a 5% interest in the ordinary shares of the acquisition vehicle, Roebuck Investments Limited, a subsidiary undertaking of Norish plc. Subject to certain conditions, Norish plc has the right to acquire these shares at their nominal value (£5) on or after 1 August 2018. Furthermore, through the ownership of the preferred ordinary shares in Roebuck Investments Limited, Norish plc has secured the entire equity interest in Townview Foods Limited to 1 August 2018 and beyond. Accordingly, the board consider that a financial liability of £5 should be recorded in these consolidated financial statements in respect of the vendor's interest and that Norish plc should account for 100% of the equity interest in Townview Foods Limited.

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(a) *The registered offices of Norish plc and its subsidiary undertakings are set out below:*

Norish plc Roebuck Investments Limited	South Bank House, Barrow Street, Dublin 4, Republic of Ireland
Norish (U.K.) plc, Norish (N.I.) Limited	79 Chichester Street Belfast BT1 4JE
Norish Limited, Belvedere Warehousing Limited, Norish Warehousing Limited	Northern Industrial Estate, Bury St Edmunds, Suffolk, IP32 6NL
Townview Foods Limited	7 Carrivekeeney Road Newry, County Down, BT35 7LU

(b) *The issued share capital of the subsidiary undertakings is as follows:*

Norish (U.K.) plc	50,000 Ordinary shares of £1 each
Norish (N.I.) Limited	480,000 Ordinary shares of £1 each
Norish Limited	60,000 Ordinary shares of £1 each
Belvedere Warehousing Limited	8,000 Ordinary shares of £1 each
Norish Warehousing Limited	4,000 Ordinary shares of £0.25 each
Townview Foods Limited	100 Ordinary shares of £1 each
Roebuck Investments Limited	95 Ordinary shares of €1 each 5 Preferred ordinary shares of €1 each

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 Business Combination

On 5 October 2012, the Group acquired the entire issued share capital of Townview Foods Limited, a meat import company based in Newry, Northern Ireland. Townview Foods Limited procures supplies of raw and cooked beef, mutton, lamb, pork and poultry products from around the world in order to supply major food manufacturing and wholesale companies across the UK, including Northern Ireland.

Townview Foods Limited operates in the food servicing industry which is complimentary to the Group's existing business. The combination of Townview Foods Limited with the existing business provides a number of commercial and strategic advantages to the Group going forward.

Provisional goodwill of £2,338,000 arose as a result of the transaction as follows:

	Book Value & Fair Value £'000
Cash	3,610
Contingent consideration	1,588
Total consideration	<u>5,198</u>
Inventories	45
Trade receivables	2,110
Other receivable	34
Cash and cash equivalents	3,312
Trade payables	(1,915)
Other payables	(205)
Corporation tax liabilities	(521)
Total provisional fair value of identifiable assets and liabilities acquired	<u>2,860</u>
Provisional goodwill arising	<u><u>2,338</u></u>

The provisional goodwill reflects the anticipated synergy benefits from both operating Townview Foods Limited and Norish plc together in addition to profits expected to be generated by the underlying performance of the acquired business. As goodwill arises on consolidation it will not be tax deductible. The Group is in the process of finalising the accounting for the business combination. Accordingly, goodwill has been determined using provisional amounts in respect of the fair value of the identifiable assets and liabilities acquired.

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Contingent consideration is payable at the rate of 50% of Townview Foods Limited's earnings before interest and tax payable in six monthly instalments for each of the five years ending following the bid subject to a maximum amount payable to the vendor of £8.25m. In addition to these amounts, in both the six month periods ending 30 June 2013 and 31 December 2013 and in both the six month periods ending 30 June 2014 and 31 December 2014 amounts become payable to the vendor if earnings before interest and tax in any given six month period exceeds £868,000 and £970,000 respectively.

The amount included as consideration above represents the board's estimate of fair value of the purchase consideration, valuing the contingent consideration using a probability weighted discounted cash flow model consistent with level 2 of the fair value hierarchy as defined in IFRS 7. Earnings before interest and tax has initially been extracted from the acquisition model and will be adjusted throughout the earnout period based on actual results and updated budgets and forecasts. A discount rate of 7.3% has been applied.

There has been no adjustment for the fair value of the contingent consideration in the period.

The undiscounted range of outcomes can range from a low of £60,000 to £4,642,000 and possibly in addition to these amounts, in both the six month periods ending 30 June 2013 and 31 December 2013 and in both the six month periods ending 30 June 2014 and 31 December 2014 amounts become payable to the vendor if earnings before interest and tax in any given six month period exceeds £868,000 and £970,000 respectively.

The Group incurred acquisition related costs of £317,000 which have been expensed. The group also incurred £36,000 in equity funding costs which have been expensed against the share premium account.

The provisional fair value of trade and other receivables disclosed above equates to the gross contractual amounts receivable and were all expected to be collected at the acquisition date.

As part of the transaction, the vendor acquired a 5.0% interest in the ordinary shares of the acquisition vehicle, Roebuck Investments Limited, a subsidiary undertaking of Norish plc. Subject to certain conditions, Norish plc has the right to acquire these shares at their nominal value (£5) on or after 1 August 2018. Furthermore, through the ownership of preference shares in Roebuck Investments Limited, Norish plc has secured the entire equity interest in Townview Foods Limited to 1 August 2018 and beyond. Accordingly, the board consider that a financial liability of £5 should be recorded in these consolidated financial statements in respect of the vendor's interest and that Norish plc should account for 100% of the equity interest in Townview Foods Limited.

In the period from 5 October 2012 to 31 December 2012, Townview Foods Limited contributed £3,231,000 to the Group's revenue and £131,000 to the Group's profit for the period.

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

Had Townview Foods Limited been a subsidiary undertaking for the entire year, unaudited Group revenue would have been £27,858,000 and unaudited Group profit for the period would have been £568,000. These amounts have been derived using the actual consolidated results for the year plus pre-acquisition trading results for Townview Foods Limited extracted from unaudited management information.

Included in creditors is an amount totalling £1,726,000 which is split between deferred consideration of £1,588,000 and the balance of the net assets of £110,000 and the notional interest of £28,000 for the period of acquisition to 31st December 2012.

32 Post-reporting date events

No significant events have taken place since the year-end that would result in adjustment to the financial statements or the inclusion of a note thereto.

33 Related party transactions

Consultancy services totalling £2,000 (2011:£2,000) were provided by a relative of a director during the year. There was £nil outstanding as at 31 December 2012 (2011:£nil).

34 Approval of financial statements

The Board of Directors approved these financial statements on 7 March 2013.

COMPANY BALANCE SHEET

at 31 December 2012

	<i>Note</i>	2012 £'000	2011 £'000
Fixed assets			
Investments – Shares in group undertakings	4	651	651
Current assets			
Debtors	5	5,005	4,830
Creditors: amounts falling due within one year	6	(496)	(476)
Net current assets		4,509	4,354
Net assets		5,160	5,005
Capital and reserves			
Called up share capital	7	1,841	1,674
Share premium account	8	3,276	3,229
Capital conversion reserve fund	8	23	23
Profit and loss account	8	20	79
Shareholders' funds	9	5,160	5,005

Approved on behalf of the board on 7 March 2013 by:



T.J. O'Neill
Chairman



N.A Hatcliff
Managing Director

NOTES TO THE ACCOUNTS

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Group's financial statements.

Basis of preparation

The financial statements are prepared in accordance with generally accepted accounting principles under the historical cost convention and comply with financial reporting standards of the Accounting Standards Board, as promulgated by The Institute of Chartered Accountants in Ireland.

Financial fixed assets

Investments in subsidiary undertakings are shown at cost less provisions for impairment in value.

Taxation

Current tax, including Irish corporation tax and foreign tax, is provided on the Group's taxable profits, at amounts expected to be paid using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date. Provision is made at the rates expected to apply when the timing differences reverse. Timing differences are differences between the Group's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in taxable profits in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Foreign currencies

Transactions in foreign currencies are recorded in pounds sterling at the rate ruling at the date of the transactions or at a contracted rate. The resulting monetary assets and liabilities are translated into pounds sterling at the balance sheet rate or the contracted rate and the exchange differences are dealt with in the profit and loss account. Non-monetary assets are translated at the rate prevailing at the date of the transaction.

Share capital and share premium were translated at the historic rate on the date when the Group changed its functional currency to pounds sterling.

NOTES TO THE ACCOUNTS (CONTINUED)

Dividends

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and no longer at the discretion of the Company. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

Share based payments

The Company issues equity-settled share-based payments to certain employees. In accordance with FRS 20, "Share-based payments", equity-settled share-based payments are measured at fair value at the date of grant. Fair value is measured by use of the Black-Scholes pricing model. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of the number of shares that will eventually vest.

The Group has applied the exemption available, and has applied the provisions of FRS 20 only to those options granted after 7 November 2002 and which were not vested by 1 January 2006.

It is the company policy to debit the annual charge to investments and credit reserves.

Details of share options that were granted by the company are presented in note 23 to the consolidated IFRS financial accounts within these financial statements.

The treatment under FRS20 "Share Based Payments" is consistent with the treatment under IFRS.

Financial instruments

Financial instruments are classified and accounted for in accordance to the substance of the contractual arrangement, either as financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Shares are included in shareholders' funds. Other instruments are classified as liabilities if not included in shareholders funds and if they contain an obligation to transfer economic benefits. The finance cost recognised in the profit and loss account in respect of capital instruments other than equity shares is allocated to periods over the term of the instrument at a constant rate on the carrying amount.

2 Profits of the company

In accordance with Section 148(8) of the Companies Act, 1963 a separate profit and loss account for the Company has not been presented. The profit for the year arising in Norish plc amounted to £24,000 (2011: £53,000).

NOTES TO THE ACCOUNTS (CONTINUED)

3 Dividends paid and proposed

	2012 £'000	2011 £'000
Final dividend paid in respect of the previous year of 1.25 cent (2011: 1.25 cent) per ordinary share	(83)	(83)
Interim dividend paid in respect of the current year of nil cent (2011: nil cent) per ordinary share	-	-
	<u> </u>	<u> </u>
Total dividends paid	(83)	(83)
	<u> </u>	<u> </u>

4 Investments – Shares in group undertakings

	£'000
Cost and net book value at 1 January 2012	651
	<u> </u>
Cost and net book value at 31 December 2012	651
	<u> </u>

In the opinion of the Directors, the value of shares in subsidiary undertakings is not less than the original book value.

During the year the company acquired 90 €1 ordinary shares and 5 €1 preferred ordinary shares of Roebuck Investments Limited for £95.

Details of the Company's subsidiary undertakings are presented in Note 30 to the consolidated IFRS accounts within these financial statements

5 Debtors

	2012 £'000	2011 £'000
Amount receivable from subsidiary undertakings	5,005	4,760
Other debtors	-	70
	<u> </u>	<u> </u>
	5,005	4,830
	<u> </u>	<u> </u>

The balance included in other debtors falls due after one year.

All other amounts fall due within one year and no interest is payable by the subsidiaries.

6 Creditors: Amounts falling due within one year

	2012 £'000	2011 £'000
Amounts owed to subsidiary undertakings	468	468
Corporation tax	28	8
	<u> </u>	<u> </u>
	496	476
	<u> </u>	<u> </u>

NOTES TO THE ACCOUNTS (CONTINUED)

7 Called up share capital

	2012	2011
	£'000	£'000
<i>Authorised</i>		
20,000,000 Ordinary shares of €25c each	3,527	3,527
	=====	=====
<i>Allotted, called up and fully paid</i>	Number	£'000
Ordinary shares of €25c each		
At 1 January 2011	8,466,230	1,493
Issued during the year	846,622	181
	-----	-----
At 31 December 2011	9,312,852	1,674
Issued during the year	833,333	167
	-----	-----
At 31 December 2012	10,146,185	1,841
	=====	=====

The total Ordinary shares in issue are 10,146,185 (2011: 9,312,852). These are all fully paid up. During the year, the company issued 833,333 Ordinary shares of €25c each for a total cash consideration of £250,000. The excess over nominal value of £83,000 (2011: £73,000) less share issue costs of £36,000 (2011: £nil) has been transferred to the share premium account. The proceeds were used to finance the acquisition of Townview Foods Limited.

Details of share options that were granted by the company are presented in note 23 to the consolidated IFRS financial accounts within these financial statements.

The treatment under FRS20 "Share Based Payments" is consistent with the treatment under IFRS.

NOTES TO THE ACCOUNTS (CONTINUED)

Share Premium

	2012	2011
	£'000	£'000
At 1 January	3,229	3,156
Share Issue	83	73
Funding costs	(36)	-
	<hr/>	<hr/>
At 31 December	3,276	3,229
	<hr/> <hr/>	<hr/> <hr/>

During the year, the company issued 833,333 (2011:846,222) Ordinary shares of €25c each for a total cash consideration of £250,000. The excess over nominal value of £83,000 (2011: £73,000) less share issue costs of £36,000 (2011: £nil) has been transferred to the share premium account.

8 Reserves

	Share Premium Account	Capital Conversion Reserve Fund	Profit and Loss Account
	£'000	£'000	£'000
At 1 January 2012	3,229	23	79
Profit for the financial year	-	-	24
Dividends paid (Note 3)	-	-	(83)
Share placing	83	-	-
Share equity fund raising costs	(36)	-	-
	<hr/>	<hr/>	<hr/>
At 31 December 2011	3,276	23	20
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

During the year, the company issued 833,333 ordinary shares of €25c each for a total cash consideration of £250,000. The excess over nominal value of £83,000 (2011: £73,000) less share issue costs of £36,000 (2011: £nil) has been transferred to the share premium account.

Details of the share based payment charge in accordance with FRS 20 are fully disclosed in Note 21 to the consolidated IFRS accounts within these financial statements.

The treatment under FRS 20 "Share Based Payments" is consistent with the treatment under IFRS.

NOTES TO THE ACCOUNTS (CONTINUED)

9 Reconciliation of movements in shareholders' funds

	2012 £'000	2011 £'000
Profit/(loss) for the financial year	24	53
Dividends paid	(83)	(83)
Share equity	250	254
Share equity fund raising costs	(36)	
Credit in respect of share based payments	-	1
	<hr/>	<hr/>
Net increase in shareholders' funds	155	225
Opening shareholders' funds	5,005	4,780
	<hr/>	<hr/>
Closing shareholders' funds	5,160	5,005
	<hr/> <hr/>	<hr/> <hr/>

The group paid a total dividend in 2012 of £93,000 (2011 : £92,000) , of which £83,000 (2011 : £83,000) was paid through the company and £10,000 (2011 : £9,000) was paid through Norish UK plc under the Twin Share Option Scheme.

10 Financial commitments

At the 31 December 2012, the Group had £46,000 (2011: £929,000) of capital projects authorised of which £46,000 (2011: £929,000) was contracted at 31 December 2012.

11 Financial commitments and contingencies

At the 31 December 2012, the Company has exposure for the debts of Norish Limited and Townview Foods Limited totalling £8,106,000 (2011: £6,847,000) to HSBC Bank plc.

The liabilities of Norish Limited pursuant to these facilities agreements are secured by:

- (1) debentures creating first fixed and floating charges over all the assets, past present and future of Norish Limited and its subsidiaries;
- (2) unlimited multilateral guarantees given by all Group companies each guaranteeing payment of the liabilities of the other;
- (3) legal mortgages held over the Bury St. Edmunds, Wrexham, York , Gillingham and Leeds properties.

12 Related party transactions

The company has taken advantage of the exemptions within FRS 8 "Related Party Disclosures" not to disclose transactions and balances between 100% owned group companies.

HISTORICAL FINANCIAL SUMMARY

Consolidated income statement

	2008 £'000	2009 £'000	2010 £'000	2011 £'000	2012 £'000
	IFRS	IFRS	IFRS	IFRS	IFRS
Revenue	9,693	10,539	10,654	11,213	14,876
Trading profit - continuing	1,002	1,246	931	1,045	1,035
- discontinued	-	-	-	-	-
Other Income	326	-	410	190	109
Goodwill – amortisation	-	-	-	-	-
Profit on sale of property	-	-	-	-	-
Other exceptional items	-	-	-	-	(317)
Net finance expenses	(676)	(198)	(181)	(260)	(287)
Depreciation	(541)	(576)	(608)	(569)	(595)
	<u>111</u>	<u>472</u>	<u>552</u>	<u>406</u>	<u>(55)</u>
Profit/(loss) before taxation					
Taxation	(467)	359	(128)	(44)	(24)
	<u>(356)</u>	<u>831</u>	<u>424</u>	<u>362</u>	<u>(79)</u>
Profit/(loss) for the financial year					
Dividends	(84)	(192)	-	(92)	(93)

Consolidated balance sheet

	2008 £'000	2009 £'000	2010 £'000	2011 £'000	2012 £'000
	IFRS	IFRS	IFRS	IFRS	IFRS
Total assets less current liabilities					
Non-current assets	15,501	15,242	16,079	16,264	19,275
Current assets	2,941	3,005	2,698	2,877	4,431
Current liabilities	(3,062)	(3,101)	(3,235)	(4,066)	(7,136)
	<u>15,380</u>	<u>15,146</u>	<u>15,542</u>	<u>15,075</u>	<u>16,570</u>
Financed by					
Share capital	1,493	1,493	1,493	1,674	1,841
Share premium account	3,156	3,156	3,156	3,229	3,276
Capital conversion reserve fund	23	23	23	23	23
Retained earnings	1,718	2,373	2,828	3,099	2,927
	<u>6,390</u>	<u>7,045</u>	<u>7,500</u>	<u>8,025</u>	<u>8,067</u>
Shareholders' funds - equity					
Provisions	391	568	509	139	145
Deferred tax	1,332	899	1,091	1,055	1,046
Deferred consideration	-	-	-	-	1,422
Long term liabilities	7,267	6,634	6,442	5,856	5,890
	<u>15,380</u>	<u>15,146</u>	<u>15,542</u>	<u>15,075</u>	<u>16,570</u>



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