

**Western United Investment  
Company Limited**

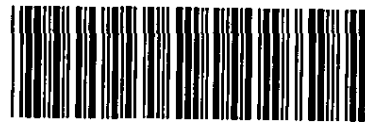
Report and Financial Statements

Year Ended

31 December 2012

Company Number 151289

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# Western United Investment Company Limited

Report and financial statements  
for the year ended 31 December 2012

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## Directors

The Lord Vestey  
Hon M W Vestey  
G M W Vestey  
R J H Vestey

## Secretary and registered office

N Thornton, 1 King's Arms Yard, London, EC2R 7AF

## Company number

151289

## Bankers

Barclays Bank plc, Standard Chartered plc, ABN Amro Bank NV, Nat West Bank plc

## Solicitors

Travers Smith, 10 Snow Hill, London, EC1A 2AL  
Lovells, Atlantic House, Holborn Viaduct, London, W1U 3LL  
Freshfields Bruckhaus Deringer, 65 Fleet Street, London, EC4Y 1HS

## Auditors

BDO LLP, 55 Baker Street, London, W1U 7EU

# Western United Investment Company Limited

## Report of the directors for the year ended 31 December 2012

The directors present their report together with the audited financial statements for the year ended 31 December 2012

### Results and dividends

The profit and loss account is set out on pages 9 and 10 and shows the result for the year

The directors do not recommend the payment of a dividend on ordinary shares (2011 - £Nil)

### Principal activities

The principal activities of Western United Investment Company Limited and its subsidiaries ("the Group") during the year were those of meat trading import and distribution. The Group operates in eight countries in three main geographical regions: UK, Mainland Europe and Asia. The Group also operates the Western United Group Pension Scheme, a large defined benefit scheme.

### Business review

#### *Results for 2012*

Turnover from continuing operations increased in 2012 to £397.3m compared with £351.3m in 2011, with the increase coming from the acquisitions detailed below.

Group operating profits in the year were £1.3m compared with a £0.9m loss in 2011. The operating loss from continuing operations was £1.2m, reflecting a squeeze on both turnover and margins across the trading operations in this difficult trading environment.

The Group finished the year in a net cash position of £8.3m, excluding the longer term, interest free loan from the F&B trust (Note 32) of £56.2m (2011 - £56.2m), compared with an opening net cash position of £6.5m, a net inflow of funds of £1.8m. The Group generated strong operating cash flows due to a decrease in the levels of working capital in the trading division, mainly as a result of lower stock levels. This cash, together with the proceeds from disposals, was used to finance acquisitions and capital expenditure.

Goodwill increased following the purchase of Donald Russell Limited (see below) partly offset by the decrease following the sale of Vestey Foods Germany GmbH and its subsidiary companies.

Trading in the first two months of 2013 has been better than that reported in 2012 and the Group remain optimistic about the overall profitability in 2013.

#### *Trading Division Developments*

In December 2012, the Company sold its 74.9% shareholding in Vestey Foods Germany GmbH, along with its subsidiary undertakings, to Thorsten Rachow, the minority shareholder, for £12.2m. The disposal gave rise to a loss on disposal of £1.9m.

In March 2012, the Group acquired from DBC Foodservice Ltd, a business going into administration, its Ministry of Defence contract along with assets, leased warehouses, leased trucks and staff which will allow the contract to be serviced. The total consideration for the acquisition was £0.2m.

In October 2012, Vestey Foods Group Limited acquired the Freehold of Denmark House in Petersfield, a warehouse and cold storage depot leased by the Group to operate its newly acquired contract to supply the Ministry of Defence, a contract acquired from DBC Foodservice Limited during the year. The building was purchased for a total consideration of £2.5m.

In January 2012, Vestey Holdings Limited, through an 84% owned newly incorporated subsidiary, acquired 100% of the shares of Donald Russell Limited, an internet based, mail order food service business based in Aberdeenshire, Scotland. The total consideration for the acquisition was £15.3m.

# Western United Investment Company Limited

## Report of the directors for the year ended 31 December 2012 (continued)

### Business review (continued)

#### Trading Division Developments (continued)

In the post balance sheet period, the industry has been subject to significant issues regarding horse DNA findings in processed meat products. This has implications on the supply chain across the industry. The sale of processed meat products only represents a very small part of Group turnover and, to date, the Group has had no significant claims. In any event, the business would expect to pass any valid claim from customers on to their suppliers, and so, in large, part mitigate the financial impact on the Group. Vestey continue to adhere to strict quality processes and to closely manage our key trading relationships.

The division's key strategic objective in 2013 will be of continued consolidation and organic growth of trading activities through the employment of new trading capacities and a more unified approach to suppliers.

#### Fine Foods Division Developments

In July, the Group's remaining Fine Foods operation in Thailand sold its trade and assets to EQT. The company was subsequently wound down to a dormant state by the end of the year. The operation before its transfer and subsequent wind down has been treated as discontinued in the profit and loss account.

#### Cattle Farming Division Developments

Following the decision in December 2011 by the Venezuelan government to illegally expropriate all of the Group's assets and operations in Venezuela, management have progressed their legal case with ICSID, the International Court for Arbitration in New York, and remain confident of receiving a judgement against, and subsequent compensation from, the Venezuelan government. Given the early stage of the legal process no value has been given to any potential claim.

#### Western United Group Pension Scheme Developments

The Group operates three pension schemes, as detailed in Note 25. The net pension assets of the larger scheme, Western United Group Pension Scheme, increased by £1.8m to £40.3m in the year. This led to a net actuarial gain of £1.1m (2011 – loss of £3.3m) in the Statement of Total Recognised Gains and Losses and a charge of £0.7m (2011 - charge of £1.9m) in the profit and loss account.

#### Key Performance Indicators

The Group uses a range of financial performance measures to monitor the management of the business effectively, the most significant of these are the key performance indicators (KPI's).

The main KPI's are turnover, gross margin, operating profit before exceptional items, operating profit, profit before taxation, average working capital as a percentage of turnover, net funds, return on average capital employed, stock days, debtor days and creditor days.

The KPI's on continuing operations for the year ended 31 December 2012, with comparatives for the year ended 31 December 2011, are set out below.

	2012	2011
Turnover - excluding share of joint venture (£'m)	397.3	351.3
Gross margin	11.0%	6.8%
Operating loss before exceptional items (£'m)	(1.2)	(3.4)
Operating loss (£'m)	(1.2)	(3.9)
Loss before taxation (£'m)	(1.8)	(3.9)
Average working capital as a percentage of turnover	17.4%	18.0%
Net borrowings (£'m)	47.9	49.7
Return on average capital employed	-	-
Stock days	39	43
Debtor days	41	42
Creditor days	20	23

# Western United Investment Company Limited

## Report of the directors for the year ended 31 December 2012 *(continued)*

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### **Business review** *(continued)*

#### *Key Performance Indicators (continued)*

The KPI's have been discussed in the results for 2012 above. However, where not discussed, we have the following comments:

- Gross margin increased mainly due to the acquisition of Donald Russell Limited which operates at higher gross margins
- Average working capital as a percentage of turnover has improved in the year, decreasing by 0.6% to 17.4% mainly as a result of an improvement in the level of stock holding by Vestey Foods UK Limited
- Stock days have improved mainly as a result of a concerted effort to reduce the stock carrying position in the year
- Creditor days have reduced mainly as a result of an increased level of prepayment required in our international trading business

### **Principal risks and uncertainties**

The Group operates in an environment that has a number of operational and financial risks:

The Trading Division operates in a large number of very competitive markets, where outbreaks of different animal diseases can have a big impact on both the supply and customer base of each subsidiary, where suppliers who may not adhere to our product specifications can present quality issues and where the market value of what are effectively commodity products can vary widely and quickly. The Group manages these risks by ensuring, where possible, that each subsidiary does not have an over-reliance on sales of one species of animal or one supplier/supply location, that, where possible, stock is only purchased when an order is received, by employing a significant technical resource to regularly audit suppliers, and that stocks of perishable, short shelf life items are kept to a minimum.

The Group has a number of financial risks, of which the most important are currency risks, credit risks and liquidity/working capital management risks. In order for Group management to keep these risks under control, subsidiary general and finance managers are subjected to a number of restrictive directors' operating covenants which detail the level of authority they have to operate within without authority from the Group management. These covenants include restrictions on the speculative purchases of stock or currency, the selling of products to uninsured customers, long-term lease commitments, capital expenditure, exceeding local third party borrowing levels and the adherence to Group human resources, ethics and accounting policies.

In addition, the Company's immediate subsidiary company, Vestey Group Limited is the sponsoring employer of the Western United Group Pension Scheme, a very large defined benefit scheme which is detailed in Note 25. It should be noted that, as the only cash-generating subsidiary group, Vestey Holdings Limited, in all likelihood, would be called upon to fund any long term deficit. The Group manages this risk via regular communication with the trustees of the scheme.

#### *Currency Risk*

The Group's main currency risk lies in the Trading Division where it generally purchases products in different currencies to the selling and local currencies. This exposure risk is significantly reduced by hedging 100% of the actual foreign currency purchases against the appropriate selling currency at the date of order. The non-adherence to these policies and the speculative purchase of currencies are both restricted by the formally agreed directors' operating covenants, unless expressly agreed by Group management.

# Western United Investment Company Limited

## Report of the directors for the year ended 31 December 2012 *(continued)*

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### **Business review** *(continued)*

#### **Principal risks and uncertainties**

##### *Price Risk*

The Group is exposed to changes in the market prices of its raw materials. The Group mitigates this risk by having a diverse range of products and the strength of relationships with suppliers worldwide has enabled it to source products from alternative producers where necessary.

##### *Credit Risk*

The Group's principal credit risk relates to the recovery of amounts owed by trade debtors. To manage this risk in the Trading Division, credit insurance is taken out against customers given credit and their adherence to these limits is closely monitored. In the current economic climate where credit insurance cover on customers is constantly being reviewed and often reduced, a strong emphasis has been placed by Group management on the subsidiary operating companies to not have outstanding credit from customers which exceeds their insured limits. Where customers wish to receive credit over and above insured limits, they must offer alternative security to cover the Group's exposure or seek permission from Group management.

Credit limits across all divisions, especially given the current economic climate, are reviewed on a regular basis in conjunction with credit insurance limits, debt ageing and collection history.

All Trading subsidiaries prepare monthly debtor reports which are submitted to Group management and are closely monitored, in liaison with local managers, to ensure that internally set customer credit limits and credit insurance limits are adhered to.

##### *Liquidity/working capital management Risk*

Detailed cash flow, borrowing and working capital forecast reports are prepared by subsidiaries each month for the forthcoming weeks and months. The current and forecast working capital requirements are reviewed in conjunction with budgeted levels and existing financing facilities to ensure that sufficient headroom is maintained within all available facilities. Group management also receive monthly reports from each subsidiary detailing aged debtors, in particular overdue debtors, and an aged stock report detailing all slow moving stock.

External borrowing facilities are allocated to each subsidiary that has a funding requirement in the form of an overdraft or import financing. The facilities are allocated from the Group organised on demand, unsecured borrowing facilities from Barclays Bank and ABN Amro Bank or from a local bank supported by a UK parent company guarantee. Local management manage the working capital of their businesses within the constraints provided by these allocated facilities. Increases to the allocated facilities must be requested by subsidiary management, with a relevant business case and authorised by Group management.

Local management manage working capital levels carefully, they have regular meetings to ensure that stock levels are managed at an optimum level and that slow moving stock and stock items close to expiry are closely monitored. Debtors ageing reports are regularly monitored and overdue debtors chased.

There is a loan from the F&B Trust for which there are no set repayment terms and no covenants attached. The Trustees are required to give at least one years notice for any repayment of the loan.

# Western United Investment Company Limited

## Report of the directors for the year ended 31 December 2012 (continued)

### Charitable contributions

During the year the company made the following contributions

	2012 £'m	2011 £'m
Charitable	-	0.1

### Directors

The directors of the company during the year were

The Lord Vestey  
Hon M W Vestey  
G M W Vestey  
R J H Vestey

### Employees

The directors provide information to employees through the intermediary of senior managers and by means of management briefings and training. Managers are expected to be in touch with the views of the employees and to consider such views seriously. The Group does not operate any employee share schemes. It continues to be the policy of the Group to encourage employee efforts and to reward employees accordingly.

### Disabled persons

The company is committed to providing equal opportunities in employment. The employment of disabled persons is included in this commitment and the recruitment, training, career development and promotion of disabled persons are based on the aptitudes and abilities of the individual and the working conditions which apply. Should employees become disabled during employment, every effort would be made to continue their employment and, if necessary, appropriate training would be provided.

### Qualifying third party indemnity provisions

The company has arranged qualifying third party indemnity for all of its directors.

### Policy and practice on the payment of creditors

The Group will follow its internal policies on best payment practice which is to ensure that all creditor payments are made when they fall due.

# Western United Investment Company Limited

## Report of the directors for the year ended 31 December 2012 (*continued*)

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### Directors' responsibilities

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 financial statements for each financial year. Under that law the directors have elected to prepare the group and company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company and of the profit or loss of the group for that period.

In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

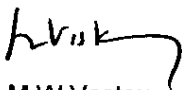
The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### Auditors

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

BDO LLP have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

### On behalf of the Board



G M W Vestey

Director

13 May 2013



# Western United Investment Company Limited

## Independent auditor's report

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### TO THE MEMBERS OF WESTERN UNITED INVESTMENT COMPANY LIMITED

We have audited the financial statements of Western United Investment Company Limited for the year ended 31 December 2012 which comprise the consolidated profit and loss account, the consolidated statement of total recognised gains and losses, the consolidated and company balance sheets, the consolidated cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3, Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council website at [www.frc.org.uk/apb/scope/private.cfm](http://www.frc.org.uk/apb/scope/private.cfm)

### Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2012 and of the group's loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

### Opinion on other matter prescribed by the Companies Act 2006

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

# Western United Investment Company Limited

## Independent auditor's report *(continued)*

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### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



*Scott McNaughton (senior statutory auditor)  
For and on behalf of BDO LLP, statutory auditor  
London  
United Kingdom*

13<sup>th</sup> May 2013

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)

# Western United Investment Company Limited

## Consolidated profit and loss account for the year ended 31 December 2012

	Note	Continuing operations 2012 £'m	Discontinued operations 2012 £'m	Total 2012 £'m	Continuing operations 2011 £'m	Discontinued operations 2011 £'m	Total 2011 £'m
<b>Turnover</b>	2	397.3	138.4	535.7	351.3	205.9	557.2
Cost of sales		(353.4)	(123.9)	(477.3)	(327.3)	(185.9)	(513.2)
<b>Gross profit</b>		43.9	14.5	58.4	24.0	20.0	44.0
Distribution costs		(25.9)	(9.6)	(35.5)	(10.6)	(10.4)	(21.0)
Administrative expenses before exceptional charges		(19.2)	(2.6)	(21.8)	(16.7)	(6.8)	(23.5)
Exceptional charges	5		-	-	(0.5)	-	(0.5)
Administrative expenses		(19.2)	(2.6)	(21.8)	(17.2)	(6.8)	(24.0)
Other operating income		-	0.2	0.2	(0.1)	0.2	0.1
<b>Operating (loss)/profit</b>	6	(1.2)	2.5	1.3	(3.9)	3.0	(0.9)
Share of operating profit in associated undertakings		0.1	-	0.1	-	-	-
Profit on disposal of operations	5	-	1.6	1.6	-	19.7	19.7
Loss on disposal of operations	5	-	(2.2)	(2.2)	-	(12.8)	(12.8)
Profit on disposal of associate undertakings	5	-	-	-	-	0.1	0.1
<b>(Loss)/profit on ordinary activities before interest and other income</b>		(1.1)	1.9	0.8	(3.9)	10.0	6.1
Interest receivable and similar income		1.0	-	1.0	1.5	0.1	1.6
Interest payable and similar charges		(1.7)	(0.2)	(1.9)	(1.5)	(0.3)	(1.8)
<b>(Loss)/profit on ordinary activities before taxation</b>		(1.8)	1.7	(0.1)	(3.9)	9.8	5.9
Taxation on (loss)/profit on ordinary activities	7			(1.0)			(1.6)
<b>(Loss)/profit on ordinary activities after taxation (carried forward)</b>				(1.1)			4.3

# Western United Investment Company Limited

## Consolidated profit and loss account for the year ended 31 December 2012 *(continued)*

Note	Continuing operations 2012 £'m	Discontinued operations 2012 £'m	Total 2012 £'m	Continuing operations 2011 £'m	Discontinued operations 2011 £'m	Total 2011 £'m
<b>(Loss)/profit on ordinary activities after taxation (brought forward)</b>			<b>(1.1)</b>			4.3
Minority interest			-			(0.6)
<b>(Loss)/profit for the financial year</b>			<b>(1.1)</b>			<b>3.7</b>

Discontinued operations relate to the results of the disposal of Vestey Foods Germany GmbH and its subsidiaries, the disposal of the Fine Foods Division, the disposal of the Wine operations, the cessation of the Coop Globe joint venture, and the loss of the operation and beneficial control of the Cattle Farming Division. Included within continuing operations is Donald Russell (Note 11), which contributed turnover of £27.3m and operating profit of £0.6m.

The notes on pages 15 to 57 form part of these financial statements

# Western United Investment Company Limited

## Consolidated statement of total recognised gains and losses For the year ended 31 December 2012

	Note	2012 £'m	2011 £'m
<b>Statement of total recognised gains and losses</b>			
Profit/(loss) attributable to equity shareholders - Group		(1.1)	3.7
Translation differences on foreign currency net investments	22	(0.6)	(2.0)
Actuarial gain/(loss) relating to the pension and medical schemes	22	1.1	(3.3)
Deferred tax on pension scheme	22	0.8	1.3
Total recognised profit/(loss) for the year	22	0.2	(0.3)

The notes on pages 15 to 57 form part of these financial statements

# Western United Investment Company Limited

## Balance sheets at 31 December 2012

Company number 151289	Note	Group 2012 £'m	Group 2011 £'m	Company 2012 £'m	Company 2011 £'m
<b>Fixed assets</b>					
Intangible assets	9				
Positive Goodwill		16.2	12.1	-	-
Negative Goodwill		(0.2)	(0.9)	-	-
Brands		0.5	0.5	-	-
		<u>16.5</u>	<u>11.7</u>		-
Tangible assets	10	13.9	9.6	0.1	0.1
Investments	13				
Group undertakings		-	-	58.7	58.7
Associated undertakings		0.2	0.1	-	-
Other investments		0.1	0.2	-	-
		<u>0.3</u>	<u>0.3</u>	<u>58.7</u>	<u>58.7</u>
		<u>30.7</u>	<u>21.6</u>	<u>58.8</u>	<u>58.8</u>
<b>Current assets</b>					
Stocks	15	45.6	65.0	-	-
Debtors	16	62.5	74.3	-	-
Cash at bank and in hand		53.1	59.1	-	-
		<u>161.2</u>	<u>198.4</u>	<u>-</u>	<u>-</u>
<b>Creditors: amounts falling due within one year</b>	17	<b>(90.0)</b>	<b>(108.8)</b>	<b>(2.5)</b>	<b>(2.5)</b>
		<u>71.2</u>	<u>89.6</u>	<u>(2.5)</u>	<u>(2.5)</u>
<b>Net current assets</b>		<b>71.2</b>	<b>89.6</b>	<b>(2.5)</b>	<b>(2.5)</b>
<b>Total assets less current liabilities</b>		<b>101.9</b>	<b>111.2</b>	<b>56.3</b>	<b>56.3</b>
<b>Creditors: amounts falling due after more than one year</b>	18	<b>(59.6)</b>	<b>(65.2)</b>	<b>(56.2)</b>	<b>(56.2)</b>
<b>Provision for liabilities</b>	19	<b>(2.6)</b>	<b>(3.4)</b>	<b>-</b>	<b>-</b>
		<u>39.7</u>	<u>42.6</u>	<u>0.1</u>	<u>0.1</u>
<b>Net assets excluding pension assets</b>		<b>39.7</b>	<b>42.6</b>	<b>0.1</b>	<b>0.1</b>
Net pension scheme assets	25	41.2	39.1	-	-
Net pension scheme liabilities	25	(7.1)	(6.2)	(1.5)	(1.3)
		<u>73.8</u>	<u>75.5</u>	<u>(1.4)</u>	<u>(1.2)</u>

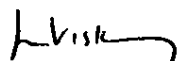
The notes on pages 15 to 57 form part of these financial statements

# Western United Investment Company Limited

## Balance sheets at 31 December 2012 (continued)

<i>Company number 151289</i>	Note	Group 2012 £'m	Group 2011 £'m	Company 2012 £'m	Company 2011 £'m
<b>Capital and reserves</b>					
Called up share capital	21	13.9	13.9	13.9	13.9
Share premium account	22	56.2	56.2	56.2	56.2
Other reserves	22	3.0	3.0	46.8	46.8
Profit and loss account	22	(0.1)	(0.3)	(118.3)	(118.1)
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<b>Shareholders' funds</b>		<b>73.0</b>	<b>72.8</b>	<b>(1.4)</b>	<b>(1.2)</b>
<b>Minority interests</b>		<b>0.8</b>	<b>2.7</b>	<b>-</b>	<b>-</b>
		<hr/>	<hr/>	<hr/>	<hr/>
		<b>73.8</b>	<b>75.5</b>	<b>(1.4)</b>	<b>(1.2)</b>
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The financial statements were approved by the Board of Directors and authorised for issue on 13 May 2013



G M W Vestey  
Director

The notes on pages 15 to 57 form part of these financial statements

# Western United Investment Company Limited

## Consolidated cash flow statement for the year ended 31 December 2012

	Note	2012 £'m	2011 £'m
<b>Net cash inflow/(outflow) from operating activities</b>	27	<b>10.3</b>	(14.6)
Returns on investments and servicing of finance	28	<b>(2.0)</b>	(1.2)
Taxation paid	28	<b>(1.4)</b>	(1.2)
Capital expenditure and financial investment	28	<b>(3.8)</b>	(1.8)
Acquisitions and disposals	28	<b>(1.9)</b>	34.2
		<hr/>	<hr/>
Net cash inflow before management of liquid resources and financing		<b>1.2</b>	15.4
Management of liquid resources	28	<b>4.9</b>	(10.2)
Financing	28	<b>(2.7)</b>	(0.4)
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<b>Increase in net cash in year</b>		<b>3.4</b>	4.8
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The notes on pages 15 to 57 form part of these financial statements



# Western United Investment Company Limited

## Notes forming part of the financial statements for the year ended 31 December 2012

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### 1 Accounting policies

The financial statements have been prepared on a going concern basis under the historical cost convention, as modified for the revaluation of freehold administrative buildings and are in accordance with applicable accounting standards. They have all been applied consistently throughout the year and the preceding year. The company has taken advantage of Section 408 of The Companies Act 2006 and has chosen not to present the Company Profit and Loss account.

The principal accounting policies are

#### *Basis of consolidation*

The consolidated financial statements incorporate the financial statements of all the subsidiary undertakings as at 31 December each year using the acquisition method of accounting.

No minority interest is accounted for on non-wholly owned subsidiaries where there are restricted rights attached to the minority interest ownership of these subsidiaries, there is an earn out and where there are put and call options for the minority shareholders to sell and the Group to buy the remaining shares. The deferred consideration for the remaining shares are based on the value of the earn out discounted over the earn out period.

A subsidiary undertaking is excluded from the consolidation where there are severe long term restrictions which substantially hinder the exercise of the rights of the Group over the assets or the management of that business.

#### *Acquisition accounting*

On acquisition, the assets and liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. The interest of minority shareholders is stated at the minority proportion of the fair values of the assets and liabilities acquired.

Where subsidiary undertakings are acquired with an option to acquire the remaining share capital at a set future date, the directors will consider the substance of the transaction under FRS 5 "Reporting the Substance of Transactions" in determining the effective ownership of the company for consolidation purposes.

The results of subsidiaries acquired or disposed of during the year are consolidated from the effective date of acquisition or up to the effective date of disposal, as appropriate. The effective date is the date on which control passes.

Where necessary, adjustments are made to the financial statements of the subsidiaries to bring the accounting policies used into line with those used by the Group.

All significant inter-company transactions and balances between Group enterprises are eliminated on consolidation.

Where the sale of an operation is completed either in the year or within three months after the commencement of the subsequent period, and the disposal has a material effect on the nature and focus of the operations, then the sale is defined as a discontinued operation. Results up to the date of sale are disclosed as part of the profit and loss account under the heading discontinued operations. Where the operation is sold after the financial year end, only the results up to the year end are included in the profit and loss account for that year as discontinued operations. In the subsequent year when the operation is sold, the results up to the date of sale along with the resulting profit or loss on disposal will be shown as discontinued operations in that year.

# Western United Investment Company Limited

Notes forming part of the financial statements  
for the year ended 31 December 2012 (continued)

## 1 Accounting policies (continued)

### *Goodwill*

Goodwill arising on an acquisition of a subsidiary undertaking is the difference between the fair value of the consideration paid and the fair value of the assets and liabilities acquired. Positive and negative goodwill are capitalised and amortised through the profit and loss account over the directors' estimate of the length of time that the goodwill acquired has been eroded by the departure of key personnel, key suppliers or key markets which is estimated to be 15 years except where the directors believe amortisation should be over a shorter period due to key post acquisition changes to the business structure or performance. Negative goodwill on non-monetary assets are released through the profit and loss account over the period that the non-monetary assets are recovered. Impairment tests on the carrying value of goodwill are undertaken

- At the end of the first full financial year following acquisition,
- In the other periods if events or changes in circumstances indicate that the carrying value may not be recovered

The profit or loss on disposal of a business includes any attributable goodwill arising on acquisitions which was previously eliminated against reserves under the former Group policy, for acquisitions made before 1 January 1998

### *Brands*

Brands that are acquired outside of a business combination are included at cost and not amortised because they are assumed to have an indefinite useful economic life. An impairment review is conducted on an annual basis with a provision made for any impairment.

### *Deferred consideration on acquisitions*

Where acquisitions incorporate deferred consideration, a best estimate of this is provided unless in the opinion of the directors it cannot be measured with sufficient reliability. Provisions for deferred consideration are discounted using the appropriate borrowing rate available to the Group. Provisions for deferred consideration are reviewed annually and any adjustments taken as an amendment to the cost of investment and the carrying value of goodwill.

### *Associates*

An entity is treated as an associated undertaking when the Group has a participating interest and exercises significant influence over its operating and financial policy decisions.

In the Group accounts, interests in associated undertakings are accounted for using the equity method of accounting. The consolidated profit and loss account includes the Group's share of the operating results, interest, pre-tax results and attributable taxation of such undertakings based on audited financial statements. In the consolidated balance sheet, the interests in associated undertakings are shown as the Group's share of the identifiable net assets including any unamortised premium paid on acquisition.

The premium arising on acquisition is dealt with in accordance with the goodwill accounting policy.

### *Turnover*

Turnover represents sales to external customers at invoiced amounts less value added tax or local taxes on sales. Turnover is recognised when the risks and rewards of owning the goods has passed to the customer which is generally on delivery.

### *Valuation of Investments*

Investments held as fixed assets are stated in the financial statements at the lower of cost and their recoverable amount. Any impairment to valuation is taken to the profit and loss account.

# Western United Investment Company Limited

Notes forming part of the financial statements  
for the year ended 31 December 2012(continued)

## 1 Accounting policies (continued)

### Stocks

Stocks are valued at the lower of cost and net realisable value

### Tangible fixed assets

Depreciation is calculated by the straight-line method. Freehold property is split into the following classes

Warehouses / Coldstores  
Administrative buildings

Freehold warehouses are shown at cost. Freehold administrative buildings are included at open market value for existing use. Regarding dual purpose freehold assets that can be easily split between the different functions, each part will be valued accordingly. If the asset is not easily split, the class of the asset will be dictated by the principal purpose of the building.

No depreciation is provided on freehold land. Freehold buildings are depreciated in equal annual instalments over their estimated useful lives up to 50 years.

Amortisation of leasehold properties is provided in equal annual instalments over the estimated useful life or unexpired period of the lease or 50 years, whichever is the shorter.

Depreciation of plant, machinery and equipment is provided in equal annual instalments over the estimated working lives of the assets concerned. The ranges of estimated lives are as follows:

Plant and machinery	-	5 years
Fixtures, fittings, tools and equipment	-	3-10 years
Motor vehicles	-	4 years

### Taxation

The charge for taxation is based on the results for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred taxation is provided for in full on all timing differences that have not reversed at the balance sheet date. Deferred tax assets are only recognised to the extent that they are regarded as recoverable. Deferred tax balances are not discounted. Any deferred taxation liabilities and benefits are calculated under the liability method.

### Leases

Assets held under finance leases and the related lease obligations are included in the balance sheet at the fair value of the leased assets at the date of acquisition. The excess of the lease payments over the recorded leased asset is treated as finance charges, which are allocated over the lease term so as to produce a reasonably constant periodic rate of charge on the remaining balance of the obligation for each accounting period. Depreciation of leased assets is charged over the shorter of the lease term and estimated useful economic life of the asset. All other leases are operating leases and the rental charges are taken to the profit and loss account as incurred over the period of the lease.

# Western United Investment Company Limited

## Notes forming part of the financial statements for the year ended 31 December 2012 (*continued*)

### 1 Accounting policies (*continued*)

#### *Foreign currencies*

The financial statements of overseas subsidiary undertakings are translated as follows

- Balance sheet items at the rates of exchange ruling at balance sheet dates, and
- Profit and loss items at the appropriate average rates for the period of account

Differences between the profit and loss accounts translated at average rates and at closing rates and those arising from the re-translation of the opening net investments at closing rates are recorded as movements on reserves and are reported in the statement of total recognised gains and losses

The balances on foreign currency loans are translated at the rates of exchange ruling at the period end and the unrealised exchange differences are dealt with in the profit and loss account as are the realised exchange differences arising on repayments of foreign currency loans during the period. Differences on foreign currency borrowings used to finance or provide a hedge against foreign equity investments are taken directly to reserves to the extent of the exchange difference arising on the net investment in these enterprises

#### *Defined benefit pension schemes*

The difference between the fair value of the assets held in the Group's defined benefit pension scheme and the scheme's liabilities measured on an actuarial basis using the projected unit method are recognised in the Group's balance sheet as a pension scheme asset or liability as appropriate. The carrying value of any resulting pension scheme asset is restricted to the extent that the Group is able to recover the surplus either through reduced contributions in the future or through refunds from the scheme. The pension scheme balance is recognised net of any related deferred tax balance

Changes in the defined benefit pension scheme asset or liability arising from factors other than cash contribution by the Group are charged to the profit and loss account or the statement of total recognised gains and losses in accordance with FRS 17 'Retirement benefits'

For multi-employer defined benefit schemes where the assets and liabilities can not be separately identified and the company's contributions to these defined benefit schemes are set in relation to current service only it is accounted for as a defined contribution scheme. Contributions are charged to the profit and loss account when they become payable

#### *Off balance sheet financial instruments*

Off balance sheet financial instruments arise from future, forward, swap or option transactions undertaken by the company or its principal subsidiaries in the foreign exchange and interest rate markets. Where transactions are only undertaken to hedge risk they are accounted for on an equivalent basis to the equity shareholders funds, assets, liabilities or net positions which they are hedging. Any profit or loss is recognised and disclosed on the same basis as that arising from the related equity shareholders funds, assets, liabilities or net positions. Premiums paid for off balance sheet financial instruments are amortised over the life of the instrument on the same basis as that arising from the related equity shareholders funds, assets, liabilities or net positions

Other transactions not of a hedging nature which are loss making at the year-end rate are provided for in the current year profit and loss account. Other transactions not of a hedging nature which are profitable at the year-end rate are not recognised until the contract completes

#### *Related party transactions*

The company has taken advantage of the exemption which is conferred by Financial Reporting Standard 8, 'Related party disclosures', that allows it not to disclose transactions with wholly owned subsidiaries within the Group

# Western United Investment Company Limited

Notes forming part of the financial statements  
for the year ended 31 December 2012 *(continued)*

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## 1 Accounting policies *(continued)*

### *Liquid resources*

For the purposes of the cash flow statement, liquid resources are defined as current asset investments and short term deposits

### *Share based payments*

The Group operates cash settled share based payment schemes which entitle any employees who are party to the arrangements to a cash payment based upon certain performance criteria. Projected results are used to measure the Group's liability at each reporting date, taking into account the terms and conditions on which the payment is awarded and the extent to which employees have rendered their service. The corresponding expense is recognised on a straight-line basis over the vesting period in the consolidated profit and loss account.

Where the employees who are party to the arrangements are employees of subsidiary companies, the fair value of the awards is treated as a capital contribution and spread over the period of performance relating to the grant. The corresponding entry is made in reserves.

### *Retirement medical benefit scheme*

The Group provides retirement medical benefits to certain retired employees. The Group continues to make a provision for the scheme liabilities in accordance with FRS 17 'Retirement Benefits'. Contributions are charged to the profit and loss account as they are paid.

# Western United Investment Company Limited

Notes forming part of the financial statements  
for the year ended 31 December 2012 (continued)

## 2 Segmental analysis

The Group has continuing operations in three principal areas of meat trading import and distribution, fine foods import and distribution, and cattle farming

	Turnover		Profit before tax		Group net assets	
	2012 £m	2011 £m	2012 £'m	2011 £'m	2012 £'m	2011 £'m
Analysis by class of business						
Trading Division						
- Group	534.6	547.7	5.9	2.0	74.5	73.3
- Associates	-	-	-	-	0.1	-
Fine Foods Division	1.1	4.6	-	(0.1)	-	-
Cattle Farming Division	-	4.3	(1.4)	0.6	-	-
Corporate	-	0.6	(4.6)	3.4	(0.8)	2.2
	<u>535.7</u>	<u>557.2</u>	<u>(0.1)</u>	<u>5.9</u>	<u>73.8</u>	<u>75.5</u>

The corporate class of business includes London head office costs and assets, and profit and loss arising on disposal of subsidiary undertakings

The Group operates in the following geographical markets

	Turnover		Profit before tax		Group net assets	
	2012 £'m	2011 £'m	2012 £'m	2011 £'m	2012 £'m	2011 £'m
UK	273.9	269.2	(3.7)	2.4	63.0	50.6
France	96.3	101.5	0.1	-	7.3	7.6
Germany	137.2	151.5	2.2	2.3	-	14.1
Other Europe	18.5	16.6	0.9	1.0	3.6	3.6
Middle East	8.2	8.7	0.4	(0.2)	1.1	0.8
Asia	1.6	4.8	-	(0.1)	(1.2)	(1.2)
South America	-	4.3	-	0.6	-	-
Australia	-	0.6	-	(0.1)	-	-
	<u>535.7</u>	<u>557.2</u>	<u>(0.1)</u>	<u>5.9</u>	<u>73.8</u>	<u>75.5</u>

# Western United Investment Company Limited

Notes forming part of the financial statements  
for the year ended 31 December 2012 *(continued)*

## 3 Employees

Group	2012 £'m	2011 £'m
Staff costs, including directors, consist of		
Wages and salaries	24.0	22.4
Social security costs	3.3	3.1
Pension costs	1.0	1.2
	28.3	26.7
The average number of employees, including directors, during the year was	2012 Number	2011 Number
Management and administration	207	184
Selling and distribution	282	182
Production and storage	343	206
Ranching	-	273
	832	845

### Company

The company did not pay out any remuneration to employees during the year (2011 - £Nil)

The average number of employees, including directors, during the year was	2012 Number	2011 Number
Management and administration	4	4

## 4 Directors' remuneration

Directors' remuneration consisted of	2012 £'m	2011 £'m
Aggregate emoluments	0.7	0.9

None of the directors are members of the Western United Group Pension Scheme (2011 - Nil)

One director was a member of the Group's unfunded defined benefit scheme (2011 - 1)

### *Remuneration of the highest paid director*

The highest paid director's emoluments were £0.4m (2011 - £0.7m). The accrual for his future defined benefit pension obligation at the end of the year was £2.2m (2011 - £1.8m).

# Western United Investment Company Limited

## Notes forming part of the financial statements for the year ended 31 December 2012 (continued)

### 5 Exceptional items in the profit and loss account

The exceptional charges, operating charges that are one off in nature, included in operating profit relate to the following items

#### *Impairment of subsidiary goodwill*

Goodwill was impaired in Vestey Foods Benelux of £Nil (2011 - £0 3m) and Global Group UK Holdings of £Nil (2011 - £0 2m)

The exceptional items included after operating profit relates to the following items

#### *Profit/(loss) on sale of operations*

There was a £1 9m (2011 - £Nil) loss on the disposal of Vestey Foods Germany GmbH There was a £0 3m loss (2011 – profit of £19 6m) on the disposal of Classic Fine Foods Holdings Limited (Note 12)

There was a £1 6m (2011 - £Nil) profit recognised on the completion of conditions relating to the formal transfer of ownership of Guangzhou Angliss Jin Pan Refrigerated Co Ltd to Bidvest Australia Limited, control of which had passed in 2007 The profit relates to funds that were received that were conditional on the transfer of ownership

There was a £Nil (2011 - £0 1m) profit on disposal of the Australian Wine operations

There was a £Nil (2011 - £12 9m) loss on the deemed disposal of Agropecuaria C A

#### *Profit on disposal of associate undertakings*

There was a profit of £Nil (2011 - £0 1m) on the disposal of the 20% shareholding in Farmhouse Freedom Eggs Limited

### 6 Group operating profit

	2012 £'m	2011 £'m
This is arrived at after charging		
Depreciation of tangible fixed assets		
- owned	2 3	2 0
- leased	0.1	0 1
Amortisation of subsidiary undertaking goodwill	1.2	2 1
Goodwill impairment losses	-	0 5
Rentals under operating leases		
- land and buildings	2 1	1 9
- plant and machinery	1 0	0 5
- other	0.3	0 2
Fees payable to the company auditors and its associates for other services		
- Group Audit Fee	0.1	0 1
- Taxation services	0.1	0 1
- Other services	0.2	0 2
	_____	_____



# Western United Investment Company Limited

Notes forming part of the financial statements  
for the year ended 31 December 2012 (*continued*)

7 Taxation on (loss)/profit from ordinary activities	2012 £'m	2011 £'m
<i>UK corporation tax</i>		
Current tax	-	0.2
Adjustment to prior years' provisions	(0.1)	-
	(0.1)	0.2
<i>Overseas</i>		
Current tax	1.1	1.3
Adjustment to prior years' provisions	-	0.1
	1.1	1.4
Current tax	1.1	1.4
	1.0	1.6
	1.0	1.6
	2012 £'m	2012 £'m
Current year	1.1	1.5
Prior year (over)/under provision	(0.1)	0.1
	1.0	1.6
	1.0	1.6

The Group's tax charge for the year includes an amount relating to associates of £Nil (2011 - £Nil)

# Western United Investment Company Limited

Notes forming part of the financial statements  
for the year ended 31 December 2012 (continued)

## 7 Taxation on (loss)/profit from ordinary activities (continued)

The tax assessed for the year differs from the standard rate of corporation tax in the UK. The differences are explained below.

	2012 £'m	2011 £'m
(Loss)/profit on ordinary activities before tax	(0.1)	5.9
(Loss)/profit on ordinary activities at the standard rate of corporation tax in the UK of 24.5% (2011 - 26.5%)	-	1.6
Effects of		
Expenses not deductible for tax purposes	1.9	1.4
Non-taxable profit on disposal	(1.6)	(1.8)
Other timing differences	0.3	(0.3)
Tax losses arising in the year and not utilised	0.5	0.5
Difference between overseas tax rate and UK tax rate	-	0.1
Adjustments in respect of prior years	(0.1)	0.1
Current tax charge for year	1.0	1.6

The tax charge differs from the expected statutory rate due to the above factors. Profits and losses in some overseas jurisdictions cannot be offset, thus increasing the overall tax charge. A deferred tax asset has not been recognised under FRS 19, where there is uncertainty as to whether suitable taxable profits will be available in future, against which the deferred tax asset can reverse.

## 8 Loss of parent company

As permitted by Section 408 of the Companies Act 2006, the profit and loss account of the parent company is not presented as part of these financial statements. The parent company's loss for the year amounted to £0.1m (2011 - £0.1m).

# Western United Investment Company Limited

Notes forming part of the financial statements  
for the year ended 31 December 2012 *(continued)*

## 9 Intangible assets - Group

	Positive Goodwill £'m	Negative Goodwill £'m	Brands £'m	Total £'m
<i>Cost</i>				
At 1 January 2012	26.1	(0.9)	0.5	25.7
Additions	12.0	(1.4)	-	10.6
Disposals	(7.1)	0.8	-	(6.3)
Adjustment to deferred consideration	(1.5)	-	-	(1.5)
Foreign exchange translation differences	(0.2)	0.1	-	(0.1)
	29.3	(1.4)	0.5	28.4
<i>Amortisation and impairment</i>				
At 1 January 2012	14.0	-	-	14.0
Charge for the year	2.5	(1.3)	-	1.2
Impairment	-	-	-	-
Disposals	(3.4)	0.1	-	(3.3)
	13.1	(1.2)	-	11.9
<i>Net book value</i>				
At 31 December 2012	16.2	(0.2)	0.5	16.5
At 31 December 2011	12.1	(0.9)	0.5	11.7

### Goodwill on acquisitions

£'m

Positive goodwill arising during the year on acquisitions is as follows

Donald Russell Limited (Note 11)	11.9
Other	0.1
	12.0

### Goodwill on acquisitions

£'m

Negative goodwill arising during the year on acquisitions is as follows

DBC Foodservice – Purchase of assets	(1.4)
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# Western United Investment Company Limited

Notes forming part of the financial statements  
for the year ended 31 December 2012 *(continued)*

## 10 Tangible assets

Group	Freehold property Admin- istration £'m	Freehold property Other £'m	Leasehold property £'m	Plant, machinery and equipment £'m	Total £'m
<i>Cost or valuation</i>					
At 1 January 2012	1.7	4.8	0.1	11.0	17.6
Additions	-	2.6	-	2.5	5.1
Disposals	(0.4)	-	(0.1)	(1.5)	(2.0)
Companies acquired	-	2.2	1.0	4.0	7.2
Companies disposed	-	(1.8)	-	(2.5)	(4.3)
Foreign exchange translation differences	-	(0.1)	-	(0.1)	(0.2)
	<u>1.3</u>	<u>7.7</u>	<u>1.0</u>	<u>13.4</u>	<u>23.4</u>
<i>Depreciation</i>					
At 1 January 2012	0.1	1.6	-	6.3	8.0
Charge for the year	-	0.3	0.1	2.0	2.4
Disposals	-	-	-	(1.1)	(1.1)
Companies acquired	-	0.2	0.4	1.6	2.2
Companies disposed	-	(0.3)	-	(1.6)	(1.9)
Foreign exchange translation differences	-	-	-	(0.1)	(0.1)
	<u>0.1</u>	<u>1.8</u>	<u>0.5</u>	<u>7.1</u>	<u>9.5</u>
<i>Net book value</i>					
At 31 December 2012	<u>1.2</u>	<u>5.9</u>	<u>0.5</u>	<u>6.3</u>	<u>13.9</u>
At 31 December 2011	1.6	3.2	0.1	4.7	9.6

The vacated premises at Redlands, Coulsdon, were sold for a consideration of £0.5m

The office premises at Ullswater Crescent, Coulsdon, Surrey which were acquired in 2009 were extensively refurbished in 2010 and are included in fixed assets at cost as the directors are of the opinion that the open market value is equal to this level

In October 2012 the Vestey Foods Group Limited acquired the Freehold of Denmark House in Petersfield, a warehouse and cold storage depot leased by Vestey Foods UK Limited to operate its newly acquired contract to supply the Ministry of Defence, a contract acquired from DBC Foodservice Limited during the year. The building was purchased for a total consideration of £2.5m

The net book value of tangible fixed assets for the Group includes an amount of £0.5m (2011 - £0.4m) in respect of assets held under finance leases and hire purchase contracts. The company has no assets held under such leases at either year end

# Western United Investment Company Limited

Notes forming part of the financial statements  
for the year ended 31 December 2012 *(continued)*

## 10 Tangible assets *(continued)*

### Company

	Land and buildings £'m
<i>Cost</i>	
At 1 January and at 31 December 2012	0.1
	<hr/>
<i>Depreciation</i>	
At 1 January and at 31 December 2012	-
	<hr/>
<i>Net book value</i>	
At 31 December 2012 and at 31 December 2011	0.1
	<hr/>

# Western United Investment Company Limited

Notes forming part of the financial statements  
for the year ended 31 December 2012 (*continued*)

## 11 Acquisitions

### *Donald Russell Limited*

During 2012, a newly incorporated UK company, Donald Russell Holdings Limited was set up which is 84% owned by Vestey Holdings Limited. Donald Russell Holdings Limited subsequently acquired all of the share capital of Donald Russell Limited.

The total consideration for the acquisition of £15.3m comprises consideration of £14.9m, which was financed in cash and legal and stamp duty costs of £0.4m. The acquisition, which was accounted for under the acquisition method, has been consolidated as an 86% subsidiary based on the substance of the Group's interest in this entity. Goodwill of £11.9m was generated on the acquisition. The directors believe that the book value of the assets and liabilities at acquisition are equal to the fair value.

The effective date of the acquisition was 31 January 2012, which was the date from which control of the company passed to the Group.

The following table sets out the book values of the identifiable assets and liabilities acquired and their fair value to the Group.

	Book value and fair value to the Group £'m
Tangible fixed assets	5.0
Current assets	
Stocks	5.9
Debtors	1.0
	<hr/>
Total assets	11.9
	<hr/>
Creditors	
Trade creditors	(2.3)
Other creditors	(0.8)
Loans	(4.2)
Overdrafts	(0.5)
	<hr/>
Total liabilities	(7.8)
	<hr/>
Net assets	4.1
Goodwill acquired	11.9
Minority Interest	(0.7)
	<hr/>
Cash consideration	15.3
	<hr/>

# Western United Investment Company Limited

Notes forming part of the financial statements  
for the year ended 31 December 2012 (continued)

## 11 Acquisitions (continued)

### *Donald Russell Limited (continued)*

Donald Russell Limited's current financial year started on 1 October 2011 and to the point of acquisition it reported the following

	Total £'m
Turnover	10.7
Operating loss	(1.4)
Loss before tax	(1.4)

Donald Russell Limited earned a profit before tax for the Group of £0.5m in the eleven month period to 31 December 2012. The period from acquisition is included in the 2012 Group profit and loss account.

In the year to 31 September 2011, Donald Russell Limited reported a pre tax profit of £1.2m.

### Cash flows from purchase of Donald Russell Limited

Cash consideration	(15.3)
Overdraft balances acquired	(0.5)
	<hr/>
	(15.8)
	<hr/>

### *DBC Foodservice Ltd – Purchase of assets*

During 2012, Vestey Foods UK acquired from DBC Foodservice Ltd, a business going into administration, its Ministry of Defence contract along with assets, leased warehouses, leased trucks and staff which will allow the contract to be serviced.

The total consideration for the acquisition is £0.2m. Due to the nature of the assets purchased and the business taken on, it has been treated as a business combination as defined by FRS 6 "Acquisitions and Mergers". Negative goodwill of £1.4m arose on the business combination.

The effective date of the business combination was 28 March 2012, which was the date that the asset purchase agreement was signed.

The operation earned a loss before tax for the Group of £0.4m in the nine month period to 31 December 2012. The period from acquisition is included in the 2012 Group profit and loss account.

# Western United Investment Company Limited

Notes forming part of the financial statements  
for the year ended 31 December 2012 (continued)

## 11 Acquisitions (continued)

### *DBC Foodservice Ltd – Purchase of assets (continued)*

The following table sets out the book values of the identifiable assets and liabilities acquired and their fair value to the Group

	<b>Book value and Fair value to the Group £'m</b>
Tangible fixed assets	0.4
Current assets	
Stock	1.2
	<hr/>
Total assets	1.6
	<hr/>
Negative goodwill acquired	(1.4)
	<hr/>
Total consideration	0.2
	<hr/>
	<b>Book value and Fair value to the Group £'m</b>
Cash flows from purchase of the business combination	
Cash consideration	0.2
	<hr/>



# Western United Investment Company Limited

Notes forming part of the financial statements  
for the year ended 31 December 2012 (continued)

## 12 Disposals

### *Vestey Foods Germany GmbH*

During the year, Vestey Foods Group Limited sold its 74.9% shareholding in Vestey Foods Germany GmbH to the Minority Shareholder Thorsten Rachow for £12.2m, giving rise to a loss on disposal of £1.9m. The put and call option on an additional 20.1% of the shares lapsed.

Net assets disposed and the related sale proceeds were as follows

	£'m
Intangible fixed assets	3.0
Tangible fixed assets	2.4
Investments	0.2
Current assets	
Stock	10.2
Debtors	12.9
Cash	0.2
	<hr/>
Total assets	28.9
	<hr/>
Creditors	
Overdraft	(2.1)
External loans	(2.3)
Trade creditors	(7.2)
Other liabilities	(2.1)
	<hr/>
Total liabilities	(13.7)
	<hr/>
Net Assets	15.2
Minority Interest	(1.1)
	<hr/>
Share of assets disposed	14.1
Loss on disposal	(1.9)
Share of costs	-
	<hr/>
Share of Proceeds	12.2
	<hr/>

# Western United Investment Company Limited

Notes forming part of the financial statements  
for the year ended 31 December 2012 *(continued)*

## 12 Disposals *(continued)*

Receipts from sale of subsidiary undertakings *(Note 28)*

Vestey Foods Germany GmbH	£'m
Sale proceeds	12.2
Disposal costs	-
	<hr/>
	12.2
	<hr/>

Net overdraft disposed *(Note 28)*

Vestey Foods Germany GmbH	£'m
Cash disposed	(0.2)
Overdraft disposed	2.1
	<hr/>
Net cash disposed	1.9
	<hr/>

# Western United Investment Company Limited

Notes forming part of the financial statements  
for the year ended 31 December 2012 *(continued)*

<b>13 Investments</b>	<b>Associates £'m</b>	<b>Other £'m</b>	<b>Total £'m</b>
<b>Group</b>			
<i>Cost</i>			
At 1 January 2012	0.1	0.2	0.3
Companies disposed	-	(0.1)	(0.1)
	<hr/>	<hr/>	<hr/>
At 31 December 2012	<b>0.1</b>	<b>0.1</b>	<b>0.2</b>
	<hr/>	<hr/>	<hr/>
<i>Share of results</i>			
At 1 January 2012	-	-	-
Profits retained for the year	0.1	-	0.1
	<hr/>	<hr/>	<hr/>
At 31 December 2012	<b>0.1</b>	<b>-</b>	<b>0.1</b>
	<hr/>	<hr/>	<hr/>
<i>Net book value</i>			
At 31 December 2012	<b>0.2</b>	<b>0.1</b>	<b>0.3</b>
	<hr/>	<hr/>	<hr/>
At 31 December 2011	0.1	0.2	0.3
	<hr/>	<hr/>	<hr/>

Other investments relates to the Group's 25% holding in Angliss Foods Sdn Bhd, a private food service company based in Malaysia and a 20% holding in Purple Foodservice Solutions Limited, a foodservice company based in Hampshire, England. The Group holds 20% or more of the voting rights in these companies, but the Group has determined that it is not able to exercise significant influence because they do not maintain a board or operational position. Consequently, these companies have not been included in associates.

All of the above investments are unlisted. Details of principal subsidiary undertakings, joint ventures and associates are given in Note 14.

Investment in associate undertakings relates to 35% of the net assets of Vestey Foods Japan Ltd a meat import and distribution company incorporated in Japan to which the Group owns 35% of the share capital.

<b>Company</b>	<b>Shares in group undertakings  £'m</b>
At 1 January and 31 December 2012	<b>58.7</b>
	<hr/>

# Western United Investment Company Limited

Notes forming part of the financial statements  
for the year ended 31 December 2012 (continued)

## 14 Additional information on subsidiaries and associated undertakings

Principal direct subsidiaries	Country of incorporation	Class of shares	Percentage of holding
Vestey Group Limited	Great Britain	Ordinary	100
Thurlow Employment Services Limited	Great Britain	Ordinary	100
<b>Principal indirect subsidiary undertakings</b>			
<b>Trading Division</b>			
Vestey Foods Group Limited	Great Britain	Ordinary	100
Global Group UK Holdings Limited	Great Britain	Ordinary	*97
Vestey Foods UK Limited	Great Britain	Ordinary	100
Vestey Foods Korea Incorporated	Korea	Ordinary	100
Vestey Foods International SA	France	Ordinary	100
Vestey Foods Denmark A/S	Denmark	Ordinary	100
Vestey Foods Production SAS	France	Ordinary	100
Vestey Foods France SAS	France	Ordinary	100
Vestey Foods Benelux NV	Belgium	Ordinary	*75
Vestey Foods Middle East FZE	UAE	Ordinary	100
UAB Vestey Foods Baltics	Lithuania	Ordinary	*65
Vestey Foods International Limited	Great Britain	Ordinary	100
Donald Russell Limited	Great Britain	Ordinary	84
Donald Russell Holdings Limited	Great Britain	Ordinary	84
<b>Other</b>			
Vestey Holdings Limited	Great Britain	Ordinary	100
Vestey Group Finance Limited	Great Britain	Ordinary	100
Vestey Properties Limited	Great Britain	Ordinary	100
Agropecuaria Flora C A	Venezuela	Ordinary	**100
<b>Principal associated and joint venture undertakings</b>			
<b>Trading Division</b>			
Vestey Foods Japan Limited	Japan	Ordinary	35
<b>Principal other trade investments</b>			
Purple FoodService Solutions Limited	Great Britain	Ordinary	20

The above are the subsidiaries and associated undertakings which, in the opinion of the directors, provide the major contribution to the Group result or to net assets. With the exception of the other trade investments, they are all consolidated or equity accounted, as appropriate, in the Group financial statements.

As the full list of subsidiaries and associated undertakings would be of excessive length to include in this report, it will be attached to the next Annual Return filed with the Registrar of Companies as permitted by Section 410 of the Companies Act 2006.

\* These entities have been accounted for as wholly owned subsidiary undertakings in accordance with the Group's accounting policies, on the basis of effective ownership.

\*\* In line with the Group accounting policies, this subsidiary has not been consolidated. Following the illegal expropriation of assets by the Venezuelan government on 4 December 2011 the Group ceased to have any day to day control over the activity of the farming operations of the company, ceased to have beneficial rights to the operations assets or income and ceased to have a liability over the current or past obligations relating to the operations.

# Western United Investment Company Limited

Notes forming part of the financial statements  
for the year ended 31 December 2012 (continued)

## 14 Additional information on subsidiaries and associated undertakings (continued)

The Group have subsequently recommenced their suspended legal case against the Venezuelan government with ICSID, the International Court for Arbitration in New York and is confident of receiving a judgement against the Venezuelan government

The Group have not recognised any potential proceeds from the legal case in the financial statements because it is still early in the legal process and there is still sufficient uncertainty with regards both timing and the final proceeds. This position will be reviewed as the legal process progresses

In 2012 the Group is taking advantage of the new audit exemptions available and the following subsidiary companies did not receive a mandatory audit

Vestey Properties Limited  
Vestey Foods International Trading Limited  
Global Group UK Holdings Limited

Vestey Holdings Limited has given a statutory guarantee for the outstanding liabilities for each of these companies

## 15 Stocks

	Group 2012 £'m	Group 2011 £'m
Finished goods and goods held for resale	45.6	65.0

The replacement cost of finished goods and goods held for resale is not materially different to carrying value

The company had no stocks during the year (2011 - £Nil)

## 16 Debtors

	Group 2012 £'m	Group 2011 £'m	Company 2012 £'m	Company 2011 £'m
Amounts falling due within one year				
Trade debtors	52.6	65.5	-	-
Other debtors	7.6	6.1	-	-
Prepayments and accrued income	2.3	2.6	-	-
Deferred tax asset (Note 20)	-	0.1	-	-
	<u>62.5</u>	<u>74.3</u>	<u>-</u>	<u>-</u>

# Western United Investment Company Limited

Notes forming part of the financial statements  
for the year ended 31 December 2012 (continued)

## 17 Creditors: amounts falling due within one year

	Group 2012 £'m	Group 2011 £'m	Company 2012 £'m	Company 2011 £'m
Bank loans	2.8	3.0	-	-
Bank overdrafts	40.1	45.1	-	-
Obligations under finance leases	0.1	0.1	-	-
Trade creditors	23.1	35.2	-	-
Corporation tax	-	0.4	-	-
Other taxation and social security	0.7	0.3	-	-
Other creditors	3.5	8.6	-	-
Accruals	18.9	14.8	-	-
Deferred consideration	0.7	1.3	-	-
Deferred tax liability (Note 20)	0.1	-	-	-
Amounts due to group undertakings	-	-	2.5	2.5
	<u>90.0</u>	<u>108.8</u>	<u>2.5</u>	<u>2.5</u>

The bank loans and overdrafts are secured by guarantees from the company and certain subsidiaries

## 18 Creditors: amounts falling due after more than one year

	Group 2012 £'m	Group 2011 £'m	Company 2012 £'m	Company 2011 £'m
Bank and other loans (notes (i), (iii))	57.7	60.3	56.2	56.2
Obligations under finance leases and lease purchase agreements (note (ii))	0.3	0.2	-	-
Deferred consideration (note (iv))	1.4	2.3	-	-
Cash Settled Share based payment liability (note (v))	0.2	2.4	-	-
	<u>59.6</u>	<u>65.2</u>	<u>56.2</u>	<u>56.2</u>
The repayment terms of debt falling due after more than one year as follows				
Between one and two years	0.4	1.4	-	-
Between two and five years	2.7	7.1	-	-
Greater than 5 years	0.3	0.5	-	-
Unsecured loans free of interest with no specified date of repayment	56.2	56.2	56.2	56.2
	<u>59.6</u>	<u>65.2</u>	<u>56.2</u>	<u>56.2</u>

# Western United Investment Company Limited

## Notes forming part of the financial statements for the year ended 31 December 2012 (continued)

### 18 Creditors: amounts falling due after more than one year (continued)

- i) At the balance sheet date, bank, other loans and overdrafts falling due after more than one year of £1.4m (2011 - £0.8m) and within one year of £42.6m (2011 - £46.6m) were unsecured. The loans are supported by guarantees from the company and its subsidiaries. Other loans falling due after more than one year also includes an unsecured loan of £56.2m (2011 - £56.2m) which is interest free and not supported by guarantees.
- ii) Finance lease and hire purchase obligations are secured against the tangible fixed assets capitalised on inception of the contracts. The security given is on terms negotiated with individual lenders.
- iii) The bank and other loans bear interest at rates of between 2% and 7%.
- iv) In 2012 total deferred consideration has decreased by £1.5m (2011 - increased by £0.3m) against the total future earn out liability of £2.1m (2011 - £3.6m) to the minority shareholders of Global Group UK Holdings Limited, Vestey Foods Germany GmbH, Vestey Foods Benelux NV and UAB Vestey Foods Baltics. At 31 December 2012 the outstanding deferred consideration liabilities due are:
  - a) Global Group UK Holdings Limited - The deferred consideration of £0.7m (2011 - £1.3m) relates to the purchase of 3% of the shareholding retained by Robert Mollison and is expected to be settled in 2013.
  - b) Vestey Foods Germany GmbH - The deferred consideration relating to 20.1% of the 25.1% shares that Thorsten Rachow held in the company was waived in the year as part of the company disposal transaction. Deferred consideration at the end of 2012 was £Nil (2011 - £1.2m).
  - c) Vestey Foods Benelux NV - The deferred consideration of £0.1m (2011 - £0.1m) is for the purchase of the final 25% of the shareholding and is payable in 2014. The deferred consideration for 25% minority interest consideration is based on 4 times the average earnings before tax for the 5 years to 31 December 2013, and
  - d) UAB Vestey Foods Baltics - The deferred consideration of £1.3m (2011 - £1.0m) is for the purchase of the final 35% of the shareholding and is payable in 2016.

### 19 Provisions for liabilities

Group	Medical provision £'m
Balance at 1 January 2012	(3.4)
Credited to profit and loss account	-
Actuarial gain	0.8
	<hr/>
Balance at 31 December 2012	(2.6)
	<hr/>

The Group provides retirement medical benefits to certain of its retired employees using a post retirement medical benefit scheme. As at 31 December 2012, the present value of the obligation is adjudged by management to be £2.6m (2011 - £3.4m). The Group's best estimate of the liability assumes a discount rate of 4.5% (2011 - 4.8%) per annum. Medical cost inflation is assumed, at the year-end to increase by 9.5% per annum, with the 9.5% increase then reducing by 0.5% per annum for a period of 9 years and then increasing by 4.6% per annum thereafter.

# Western United Investment Company Limited

Notes forming part of the financial statements  
for the year ended 31 December 2012 *(continued)*

## 20 Deferred tax asset/(liability)

Group	£'m
Balance at 1 January 2012	0.1
Company acquired	(0.2)
	(0.1)
Balance at 31 December 2012	(0.1)

Deferred taxation provided in the financial statements and the potential unprovided deferred tax asset amounting to £7.0m (2011 - £5.8m) is made up as follows

	Group Not Provided 2012 £'m	Group provided 2012 £'m	Group Not provided 2011 £'m	Group provided 2011 £'m
Unrelieved losses	4.6	-	4.7	-
Capital allowances in advance of depreciation	0.2	(0.1)	0.2	-
Other timing differences	1.8	-	0.4	0.1
	6.6	(0.1)	5.3	0.1
Advance corporation tax recoverable	0.5	-	0.5	-
	7.1	(0.1)	5.8	0.1

The unprovided deferred tax asset of £7.1m (2011 - £5.8m) has not been recognised under FRS 19 as there is uncertainty as to whether suitable taxable profits will be available in the short term against which the deferred tax asset can reverse

The material tax losses carried forward are approximately £18.0m (2011 - £14.3m) in the UK. In addition there are capital losses carried forward of approximately £200.8m (2011 - £200.8m) in the UK. These have not been provided

The unrecognised deferred tax asset in respect of the company as at 31 December 2012 is £1.1m (2011 - £1.2m)



# Western United Investment Company Limited

Notes forming part of the financial statements  
for the year ended 31 December 2012 *(continued)*

## 21 Share capital

	2012 £'m	2011 £'m
<i>Authorised</i>		
55,191,320 Ordinary shares of £1 each	55.2	55.2
4 Management shares of £1 each	-	-
425,000 10 75% non-cumulative redeemable preference shares of £1 each	0.4	0.4
	55.6	55.6
 <i>Allotted, called up and fully paid</i>		
13,892,594 Ordinary shares of £1 each	13.9	13.9
4 Management shares of £1 each	-	-
	13.9	13.9

The ordinary shares all of which are non-voting have no rights to dividends other than those that may be recommended by the directors

The management shares which are allotted, called up and fully paid confer the rights to the management of the business and the control of the Company but do not confer the right nor entitlement to any dividend, interest or other payments of a like nature out of the funds, profit or capital of the Company nor the right in a winding up to any repayment of capital or other payment of a like nature in respect of such shares

Neither the ordinary shares nor the management shares possess redemption rights

## 22 Reserves

	Share premium account £'m	Other reserves £'m	Profit and loss account £'m	Total £'m
Group				
At 1 January 2012	56.2	3.0	(0.3)	58.9
Loss for the year	-	-	(1.1)	(1.1)
Foreign exchange translation differences	-	-	(0.6)	(0.6)
Actuarial gains relating to the pension and medical schemes	-	-	1.1	1.1
Deferred tax on pension scheme	-	-	0.8	0.8
	56.2	3.0	(0.1)	59.1
At 31 December 2012	56.2	3.0	(0.1)	59.1

# Western United Investment Company Limited

Notes forming part of the financial statements  
for the year ended 31 December 2012 *(continued)*

## 22 Reserves *(continued)*

### Company

	Share premium account £'m	Other reserves £'m	Profit and loss Account £'m	Total £'m
At 1 January 2012	56.2	46.8	(118.1)	(15.1)
Loss for the financial year	-	-	(0.1)	(0.1)
Actuarial losses relating to the pension schemes	-	-	(0.1)	(0.1)
	<u>56.2</u>	<u>46.8</u>	<u>(118.3)</u>	<u>(15.3)</u>
At 31 December 2012	<u>56.2</u>	<u>46.8</u>	<u>(118.3)</u>	<u>(15.3)</u>

### Reconciliation of movements in shareholders' funds/(deficit)

	Group 2012 £'m	Group 2011 £'m	Company 2012 £'m	Company 2011 £'m
Total recognised gains relating to the year	0.2	(0.3)	(0.2)	(0.2)
Negative goodwill on disposal	-	(7.3)	-	-
	<u>0.2</u>	<u>(7.6)</u>	<u>(0.2)</u>	<u>(0.2)</u>
Opening shareholders' funds/(deficit)	<u>72.8</u>	<u>80.4</u>	<u>(1.2)</u>	<u>(1.0)</u>
Closing shareholders' funds/(deficit)	<u>73.0</u>	<u>72.8</u>	<u>(1.4)</u>	<u>(1.2)</u>

## 23 Capital commitments

There are no capital commitments at the end of the year (2011 - £Nil)

## 24 Commitments under operating leases

As at 31 December 2012, the Group had annual commitments under non-cancellable operating leases as set out below

Group	2012 Land and buildings £'m	2012 Other £'m	2011 Land and buildings £'m	2011 Other £'m
	Operating leases which expire			
Within one year	0.1	0.5	0.1	0.6
In two to five years	0.2	0.1	0.1	0.1
After five years	0.2	-	1.4	-
	<u>0.5</u>	<u>0.6</u>	<u>1.6</u>	<u>0.7</u>
	41			

# Western United Investment Company Limited

Notes forming part of the financial statements  
for the year ended 31 December 2012 (continued)

## 25 Pension schemes

The Group operates a number of pension schemes, with assets held in separate trustee-administered funds. Valuations of each scheme are carried out by independent qualified actuaries at least every three years and the contributions to the schemes are paid in accordance with their recommendations.

The pension schemes are as follows:

- Unfunded Defined Benefit Scheme, which is a United Kingdom unfunded benefit scheme for certain directors, the pension costs relating to this scheme are assessed in accordance with the recommendations of a professionally qualified actuary,
- Vestey Group Limited Overseas Pension Scheme, which is an overseas defined benefit scheme for expatriate workers employed overseas within the Group, and
- Western United Group Pension Scheme, which is a multi-employer contracted-out defined benefit scheme which provides benefits based on length of pensionable service and salary at retirement. The most recent completed actuarial valuation was carried out in respect of the year-ended 31 December 2009 by Lane Clarke & Peacock, consulting actuaries, using the projected unit method and showed a market value of the assets of the scheme as a whole of £411.8m, liabilities of the scheme as £411.7m and a surplus of £0.1m.

Lane Clarke & Peacock completed full actuarial valuations in respect of the year-ended 31 December 2009 for all schemes. Full actual valuations are in progress in respect of the year-ended 31 December 2012.

Expected contributions for the next accounting period are as follows: £Nil in respect of the Unfunded Defined Benefit Scheme, £Nil in respect of the Vestey Group Limited Overseas Pension Scheme, and £0.2m in respect of the Western United Group Pension Scheme.

The total pension costs for the Group charged in the 2012 financial statements amounted to £0.7m (2011 - £1.9m), which includes a charge of £0.1m (2011 - £0.1m) in respect of the Vestey Group Limited Overseas Pension Scheme.

### a) Unfunded defined benefit scheme

The Group operates an unfunded defined benefit scheme. This scheme provides promises to five executive employees, two of whom have left service. No company contributions are presently being paid in respect of these promises.

At 31 December 2012 a provision of £7.1m was included within the pension liabilities line (2011 - £6.2m) in respect of this scheme. The charge to the profit and loss in 2012 in relation to this scheme was £0.6m (2011 - £1.9m).

At 31 December 2012 the company numbers included a provision of £1.5m in the pension liabilities line (2011 - £1.3m) in respect of this scheme, relating to Mr Barry Long.

# Western United Investment Company Limited

Notes forming part of the financial statements  
for the year ended 31 December 2012 *(continued)*

## 25 Pension schemes *(continued)*

### a) Unfunded defined benefit scheme *(continued)*

In accordance with the requirements of FRS 17 the main financial assumptions are as follows

	2012	2011
Rate of inflation (%)	3.1	3.2
Rate of increase in salaries (%)	4.6	4.7
Rate of increase in pensions in payment (%)	3.0	3.1
Liquidity discount rate (%)	4.5	4.8
Mortality assumption – male (years)	89	89

No assets are held in respect of these benefits

The present value of liabilities in the Group scheme and the expected rate of return as at each balance sheet date were as follows

	2012 £'m	2011 £'m
<b>Present value of scheme liabilities</b>	<b>(7.1)</b>	<b>(6.2)</b>

	2012 £'m	2012 £'m
Analysis of the amount that has been charged to net finance charges		
Current service cost	0.3	0.2
Past service cost	-	1.4
Interest on pension scheme liabilities	0.3	0.3
<b>Total finance charges</b>	<b>0.6</b>	<b>1.9</b>

Analysis of the actuarial gain that has been included in the statement of total recognised gains and losses

	2012 £'m	2011 £'m
Changes in the assumptions underlying the present value of the scheme liabilities	(0.5)	(0.5)
<b>Actuarial loss recognised in the STRGL</b>	<b>(0.5)</b>	<b>(0.5)</b>
<b>Cumulative amount of losses recognised in the STRGL</b>	<b>(1.9)</b>	<b>(1.4)</b>

# Western United Investment Company Limited

Notes forming part of the financial statements  
for the year ended 31 December 2012 *(continued)*

## 25 Pension schemes *(continued)*

### a) Unfunded defined benefit scheme *(continued)*

	2012 £'m	2011 £'m
Movement in the pension deficit during the year		
At 1 January	(6.2)	(4.0)
Total finance charge	(0.6)	(1.9)
Actuarial loss	(0.5)	(0.5)
Net benefits paid out	0.2	0.2
	(7.1)	(6.2)

### History of experience gains and losses

	2012	2011	2010	2009	2008
Experience gains/(losses) on scheme liabilities					
Amount (£'m)	(0.3)	(0.2)	-	-	-
Percentage of present value of scheme liabilities	(4.2%)	(3.4%)	0.8%	2.3%	(1.1%)

### History of asset values, Defined Benefit and Surplus/Deficit in Scheme

Fair value of scheme liabilities and net pension liability					
Amount (£'m)	(7.1)	(6.2)	(4.0)	(3.8)	(3.3)

### b) Vestey Group Limited Overseas Pension Scheme

The Group operates a defined benefit scheme, the Vestey Group Limited Overseas Pension Scheme, which provides benefits based upon pensionable salary and length of service. The contribution rate is calculated on the projected unit method.

In accordance with the requirements of FRS 17 the main financial assumptions are as follows:

	2012	2011
Rate of inflation (%)	3.1	3.2
Rate of increase in salaries (%)	4.6	4.7
Rate of increase in deferred pension (%)	3.1	3.2
Liquidity discount rate (%)	4.5	4.8
Mortality assumption - male (years)	90	90
Mortality assumption - female (years)	92	92

# Western United Investment Company Limited

Notes forming part of the financial statements  
for the year ended 31 December 2012 *(continued)*

## 25 Pension schemes *(continued)*

### b) Vestey Group Limited Overseas Pension Scheme *(continued)*

The fair value of assets in the schemes, the present value of liabilities in the schemes and the expected rate of return as at each balance sheet date were as follows

	2012 %	2012 £'m	2011 %	2011 £'m
Equities	7.5	2.0	7.5	2.0
Fixed bonds, cash and other	4.0	4.1	3.6	3.6
Index-linked bonds	3.0	3.5	3.0	3.5
Total market value of the scheme assets		9.6		9.1
Present value of scheme liabilities		(7.9)		(7.4)
Surplus in the scheme		1.7		1.7
Unrecognised asset		(0.9)		(1.1)
<b>Net pension assets</b>		<b>0.8</b>		<b>0.6</b>
			<b>2012</b>	<b>2011</b>
Analysis of the amount that is charged to operating profit			<b>£'m</b>	<b>£'m</b>
Current service cost			0.1	-
<b>Total operating charge</b>			<b>0.1</b>	<b>-</b>
			<b>2012</b>	<b>2011</b>
Analysis of the amount of net finance charges			<b>£'m</b>	<b>£'m</b>
Interest on pension scheme liabilities			0.3	0.4
Expected return on pension scheme assets			(0.3)	(0.4)
<b>Total finance charge</b>			<b>-</b>	<b>-</b>

# Western United Investment Company Limited

Notes forming part of the financial statements  
for the year ended 31 December 2012 *(continued)*

## 25 Pension schemes *(continued)*

### b) Vestey Group Limited Overseas Pension Scheme *(continued)*

Analysis of the actuarial gain that is included in the statement of total recognised gains and losses

	2012 £'m	2011 £'m
Actual return less expected return on pension scheme assets	0.3	0.8
Experience losses arising on the scheme liabilities	0.1	0.1
Changes in the assumptions underlying the present value of the scheme liabilities	(0.4)	(0.5)
Extinguishing past service costs	-	-
Unrecognised asset	0.2	(0.4)
	0.2	-
Actuarial gain recognised in STRGL	0.2	-
	(0.2)	(0.4)

Movement in the present value of the pension scheme liabilities during the year

	2012 £'m	2011 £'m
Present Value of scheme liabilities at 1 January	7.4	6.9
Current service costs	0.1	-
Interest cost	0.4	0.4
Actuarial losses	0.3	0.4
Net benefits paid out	(0.3)	(0.3)
	7.9	7.4
<b>Present Value of scheme liabilities at 31 December</b>	<b>7.9</b>	<b>7.4</b>

Movement in the market value of the scheme assets during the year

	2012 £'m	2011 £'m
Market Value of scheme assets at 1 January	9.1	8.1
Actual return gain on scheme assets	0.6	1.2
Contributions by employer	0.2	0.1
Net benefits paid out	(0.3)	(0.3)
	9.6	9.1
<b>Market Value of scheme assets at 31 December</b>	<b>9.6</b>	<b>9.1</b>

# Western United Investment Company Limited

Notes forming part of the financial statements  
for the year ended 31 December 2012 *(continued)*

## 25 Pension schemes *(continued)*

### b) Vestey Group Limited Overseas Pension Scheme *(continued)*

#### Actual return on scheme assets

	2012 £'m	2011 £'m
Expected return on scheme assets	0.3	0.3
Actuarial return gain on scheme assets	0.3	0.9
	0.6	1.2

#### History of experience gains and losses:

	2012	2011	2010	200	2008
Difference between the expected and actual return on Scheme Assets					
Amount (£'m)	0.3	0.9	0.1	0.1	(0.5)
Percentage of scheme assets	3.1%	9.2%	1.6%	1.0%	(7.7%)
Experience gain on scheme liabilities					
Amount (£'m)	0.1	0.1	0.2	0.2	0.1
Percentage of present value of scheme liabilities	1.0%	1.0%	3.6%	3.3%	1.0%
Total actuarial profit/(loss) in the statement of total recognised gains and losses					
Amount (£'m)	0.2	-	(0.2)	(0.5)	(0.6)
Percentage of present value of scheme liabilities	2.5%	(0.7%)	(2.9%)	(8.2%)	(10.8%)



# Western United Investment Company Limited

Notes forming part of the financial statements  
for the year ended 31 December 2012 (continued)

## 25 Pension schemes (continued)

### b) Vestey Group Limited Overseas Pension Scheme (continued)

#### History of asset values, Defined Benefit Obligation and Surplus in Scheme

	2012 £'m	2011 £'m	2009 £'m	2008 £'m	2007 £'m
Fair value of scheme assets	9.6	9.1	8.1	7.3	7.1
Fair value of scheme liabilities	(7.9)	(7.4)	(6.9)	(6.1)	(5.3)
Surplus in scheme	1.7	1.7	1.2	1.2	1.8
Unrecognised asset	(0.9)	(1.1)	(0.6)	(0.6)	(0.8)
<b>Net Pension asset</b>	<b>0.8</b>	<b>0.6</b>	<b>0.6</b>	<b>0.6</b>	<b>1.0</b>

### c) Western United Group Pension Scheme

In the UK, Group companies principally participate in the Western United Group Pension Scheme, a multi-employer contracted out scheme which provides benefits based on length of pensionable service and pensionable salary at retirement. The rate of contribution by the Group to the scheme is determined by the scheme's actuary and was 21% in 2012 (2011 - 21%).

The pension cost is based on the results of formal actuarial valuations of the scheme. The most recently completed valuation was carried out as at 31 December 2009 by Lane Clarke and Peacock, consulting actuaries, using the projected unit method. The principal actuarial assumptions adopted in the valuation were that the investment returns would equal 5.0% p.a. pre-retirement and 4.4% post retirement, that salary increases would average 5.3% p.a., and that present and future pensions would increase at the rate of 2.6% p.a. The market value of the assets of the scheme as a whole at 31 December 2009 was £411.8 million. The results of the valuation show that the value of the assets of the scheme covered 100% of the value of the liabilities of the scheme. Mortality assumptions are that a 65 year old man will live to 85.2 and that a 65 year old woman will live to 88.2.

United Kingdom accounting standard, FRS 17 'Retirement Benefits' sets out the basis for valuing pension scheme liabilities, in particular the discount rates used. FRS 17 was adopted by the company in 2006. The actuarial valuation for the whole scheme has been updated at 31 December 2012 by an independent qualified actuary, in accordance with the basis set out in FRS 17. The valuation indicates a recoverable surplus of £52.4m (2011 - £51.3m) for the whole scheme, although is not a reliable indication of the actual fund valuation at that date.

# Western United Investment Company Limited

Notes forming part of the financial statements  
for the year ended 31 December 2012 *(continued)*

## 25 Pension schemes *(continued)*

### c) Western United Group Pension Scheme *(continued)*

In accordance with the requirements of FRS 17 the main financial assumptions are as follows

	2012	2011
Rate of inflation (CPI) (%)	2.4	2.2
Rate of inflation (RPI) (%)	3.1	3.2
Rate of increase in salaries (%)	4.6	4.7
Rate of increase in deferred pension (%)	3.0	3.1
Liquidity discount rate (%)	4.5	4.8
Rate of increase in pension payment (%)	2.1	2.1
Rate of increase in GMP (%)	2.0	1.9
Expected rate of return on assets (%)	5.5	4.8
Mortality assumption – male (years)	90	90
Mortality assumption – female (years)	92	92

The fair value of assets in the schemes, the present value of liabilities in the schemes and the expected rate of return as at each balance sheet date were as follows

	2012 %	2012 £'m	2011 %	2011 £'m
Equities	7.5	187.7	7.5	140.5
Fixed bonds, cash and other	4.0	258.0	3.6	251.5
Index-linked bonds	3.0	14.9	3.0	63.3
Property	6.5	21.3	6.5	22.0
Total market value of the scheme assets		481.9		477.3
Present value of scheme liabilities		(404.4)		(381.6)
Surplus in the scheme		77.5		95.7
Restriction on recoverability surplus		(25.1)		(44.4)
Recognised surplus		52.4		51.3
Related tax liability		(12.1)		(12.8)
<b>Net pension assets</b>		<b>40.3</b>		<b>38.5</b>

# Western United Investment Company Limited

Notes forming part of the financial statements  
for the year ended 31 December 2012 *(continued)*

## 25 Pension schemes *(continued)*

### c) Western United Group Pension Scheme *(continued)*

	2012 £'m	2011 £'m
Analysis of the amount that is charged to operating profit		
Current service costs	0.5	0.6
	<hr/>	<hr/>
<b>Total operating charge</b>	<b>0.5</b>	<b>0.6</b>
	<hr/>	<hr/>
	2012 £'m	2012 £'m
Analysis of the amount that is credited to net finance costs		
Expected return on pension scheme assets	18.4	21.5
Interest on pension scheme liabilities	(17.9)	(18.6)
Curtailment cost	-	(2.3)
	<hr/>	<hr/>
<b>Net finance income</b>	<b>0.5</b>	<b>0.6</b>
	<hr/>	<hr/>
Analysis of the actuarial gains / (losses) that are included in the statement of total recognised gains and losses		
	2012 £'m	2011 £'m
Actual return less expected return on pension scheme assets	1.7	35.5
Experience gains arising on the scheme liabilities	(2.4)	(0.8)
Changes in the assumptions underlying the present value of the scheme liabilities	(18.0)	(14.7)
Increase/(reduction) in irrecoverable surplus	19.3	(21.2)
	<hr/>	<hr/>
Actuarial gain/(loss) recognised in the STRGL	<b>0.6</b>	<b>(1.2)</b>
	<hr/>	<hr/>
<b>Cumulative amount of losses recognised in STRGL</b>	<b>(8.6)</b>	<b>(9.2)</b>
	<hr/>	<hr/>

# Western United Investment Company Limited

Notes forming part of the financial statements  
for the year ended 31 December 2012 *(continued)*

## 25 Pension schemes *(continued)*

### c) Western United Group Pension Scheme *(continued)*

Movement in the present value of the pension scheme liabilities during the year

	2012 £'m	2011 £'m
Present Value of scheme liabilities at 1 January	381.6	360.9
Current service costs	0.5	0.6
Interest costs	17.9	18.6
Contribution by scheme participants	0.2	0.2
Actuarial (gains)/losses	23.2	20.2
Net benefits paid out	(19.0)	(18.3)
Curtailment cost	-	(0.6)
	404.4	381.6
<b>Present Value of scheme liabilities at 31 December</b>	<b>404.4</b>	<b>381.6</b>

Movement in the market value of the scheme assets during the year

	2012 £'m	2011 £'m
Market Value of scheme assets at 1 January	477.3	436.1
Expected return on scheme assets	21.1	23.2
Actual return on scheme assets	1.7	35.5
Contributions by employer	0.6	0.6
Contribution by scheme participants	0.2	0.2
Net benefits paid out	(19.0)	(18.3)
	481.9	477.3
<b>Market Value of scheme assets at 31 December</b>	<b>481.9</b>	<b>477.3</b>

### Actual return on scheme assets

	2012 £'m	2011 £'m
Expected return on scheme assets	21.2	23.2
Actuarial return gain on scheme assets	1.7	35.5
	22.9	58.7
<b>Actual return on scheme assets</b>	<b>22.9</b>	<b>58.7</b>

# Western United Investment Company Limited

Notes forming part of the financial statements  
for the year ended 31 December 2012 *(continued)*

## 25 Pension schemes *(continued)*

### c) Western United Group Pension Scheme *(continued)*

#### History of experienced gains/(losses).

	2012	2011	2009	2008	2007
Difference between the expected and actual return on Scheme Assets					
Amount (£'m)	1.7	35.5	19.4	10.1	(52.1)
Percentage of scheme assets	0.4%	7.4%	4.4%	2.5%	(13.1%)
Experience gain on scheme liabilities					
Amount (£'m)	(2.4)	(0.8)	7.3	1.3	(0.2)
Percentage of present value of scheme liabilities	(0.6%)	-	2.0%	0.4%	-
Total actuarial loss in the statement of total recognised gains and losses					
Amount (£'m)	0.6	(1.2)	3.8	17.8	(14.6)
Percentage of present value of scheme liabilities	0.1%	(0.3%)	1.1%	4.9%	(4.8%)

#### History of asset values, Defined Benefit Obligation and Surplus in Scheme

	2012 £'m	2011 £'m	2009 £'m	2008 £'m	2007 £'m
Fair value of scheme assets	481.9	477.3	436.1	411.8	398.8
Defined benefit obligation	(404.4)	(381.6)	(360.9)	(361.9)	(304.3)
Surplus in scheme	77.5	95.7	75.2	49.9	94.5
Irrecoverable surplus	(25.1)	(44.4)	(23.2)	(2.5)	(65.4)
<b>Recognised surplus</b>	<b>52.4</b>	<b>51.3</b>	<b>52.0</b>	<b>47.4</b>	<b>29.1</b>

# Western United Investment Company Limited

Notes forming part of the financial statements  
for the year ended 31 December 2012 *(continued)*

## 26 Contingent liabilities and guarantees

### Group

There are contingent liabilities in respect of forward foreign exchange contracts entered into by the Group (Note 30)

The directors are aware of a number of claims and actions against certain Group undertakings, which have arisen over a period of years from the ordinary course of business. All claims are in various stages of legal process in the UK and overseas and based on professional advice received, provisions have been made where appropriate and where claims can be quantified.

Guarantees in favour of the Intervention Board and Customs and Excise

	2012 £'m	2011 £'m
Total facility as at 31 December 2012	58.8	76.2
	3.2	17.8
Of which the amount in use as at 31 December 2012		

Apart from these there were, at 31 December 2012, no other guarantees or contingent liabilities for the Group (2011 - £Nil)

### Company

At 31 December 2012 and 31 December 2011 there were no guarantees or contingent liabilities for the company

## 27 Reconciliation of operating profit to net cash outflow from operating activities

	2012 £'m	2011 £'m
Operating (loss)/profit	1.3	(0.9)
Depreciation of tangible fixed assets	2.4	2.1
Amortisation and impairment of intangible assets	1.2	2.6
Profit on sale of investments and fixed assets	(0.1)	-
Pension fund movements	0.1	0.4
Write-down of freehold building	-	0.6
(Increase) in stocks	14.3	(15.3)
(Increase) in debtors	(0.6)	(6.1)
Increase in creditors	(8.5)	3.3
Increase in other provisions	0.2	(1.3)
	10.3	(14.6)
Net cash outflow from operating activities		

# Western United Investment Company Limited

Notes forming part of the financial statements  
for the year ended 31 December 2012 *(continued)*

## 28 Analysis of cash flows for heading netted in the cash flow statement

	2012 £'m	2012 £'m	2011 £'m	2011 £'m
<i>Returns on investments and servicing of finance</i>				
Interest received	1.0		1.0	
Interest paid	(1.6)		(1.4)	
Dividends paid to minorities	(1.4)		(0.8)	
	—		—	
		(2.0)		(1.2)
<i>Taxation</i>				
Corporation tax paid		(1.4)		(1.2)
<i>Capital expenditure and financial investment</i>				
Payments to acquire tangible fixed assets	(4.8)		(2.0)	
Receipts from sales of tangible fixed assets	1.0		0.2	
	—		—	
		(3.8)		(1.8)
<i>Acquisitions and disposals</i>				
Purchase of subsidiary undertakings	(15.3)		(0.2)	
Purchase of trade and assets	(0.2)		(10.8)	
Investment in associate undertaking	-		(1.4)	
Net overdraft acquired	(0.5)		-	
Net overdraft/(cash) disposed	1.9		(5.3)	
Sale of subsidiary undertakings	12.2		50.3	
Sale of joint venture and associate undertakings	-		1.6	
	—		—	
		(1.9)		34.2
<i>Management of liquid resources</i>				
Purchase of liquid investments		4.9		(10.2)
<i>Financing</i>				
Repayment of loans	(3.3)		(1.3)	
Drawdown on loans	0.5		0.9	
Capital element of finance leases	(0.1)		(0.3)	
Issue of share capital to minority interests	0.2		0.3	
	—		—	
		(2.7)		(0.4)
		—		—

# Western United Investment Company Limited

Notes forming part of the financial statements  
for the year ended 31 December 2012 *(continued)*

## 29 Analysis of net debt

	At 1 January 2012 £'m	Cash flow £'m	Exchange £'m	At 31 December 2012 £'m
Cash at bank and in hand	48.9	(1.2)	0.1	47.8
Bank overdrafts	(45.1)	4.6	0.4	(40.1)
Increase in cash		3.4		
Liquid investments	10.2	(4.9)	-	5.3
External loans	(63.4)	2.7	0.2	(60.5)
Finance leases	(0.3)	(0.1)	-	(0.4)
<b>Total</b>	<b>(49.7)</b>	<b>1.1</b>	<b>0.7</b>	<b>(47.9)</b>

		2012 £'m	2011 £'m
<b>Reconciliation of net cash flow to movement in net debt</b>			
Increase in cash in the year		3.4	4.8
(Decrease)/increase in liquid investments		(4.9)	10.2
Cash movement from increase in debt and lease financing		2.6	3.4
Change in net debt resulting from cash flows		<b>1.1</b>	18.4
Exchange differences		<b>0.7</b>	0.3
Movement in net debt in the year		<b>1.8</b>	18.7
Net debt at the beginning of the year		<b>(49.7)</b>	(68.4)
Net debt at the end of the year		<b>(47.9)</b>	(49.7)



# Western United Investment Company Limited

Notes forming part of the financial statements  
for the year ended 31 December 2012 (continued)

## 29 Analysis of net debt (continued)

### Reconciliation of cash at bank and in hand

The movement of cash at bank and in hand is analysed as follows

	2012 £'m	2011 £'m
Increase in net cash	3.4	4.8
(Decrease)/increase in liquid investments	(4.9)	10.2
Increase in overdrafts	(4.6)	14.5
Translation differences on cash balances	0.1	(0.3)
	(6.0)	29.2
Net increase in cash at bank and in hand	(6.0)	29.2
Opening cash at bank and in hand	59.1	29.9
	53.1	59.1
Closing cash at bank and in hand	53.1	59.1

## 30 Financial Instruments

The Group's policy is to hedge currency risk using forward foreign currency contracts for foreign currency debtors and liabilities. This exposure arises where the Group purchases products in different currencies to the selling and local currencies or expects to receive payment for products sold in different currencies to the local currencies.

The Group had outstanding forward foreign exchange contracts at the year end as follows

Currency forwards - contracts to buy

	Notional principal amount		Fair Value	
	2012 £'m	2011 £'m	2012	2011
USD	5,241,487	7,499,969	-	0.1
EUR	3,814,602	9,698,239	-	(0.1)
CAD	-	271,140	-	-
SGD	16,240	83,750	-	-
PLN	213,720	47,708	-	-

Currency forwards - contracts to sell

	Notional principal amount		Fair Value	
	2012 £'m	2011 £'m	2012 £'m	2011 £'m
USD	9,265,797	4,282,164	-	(0.1)
PLN	-	161,700	-	-
YEN	2,421,760	21,066,000	-	-
SGD	667,903	414,420	-	-
EUR	3,576,729	3,399,555	-	(0.1)
ZAR	2,871,950	-	-	-
SEK	21,452	-	-	-

# Western United Investment Company Limited

Notes forming part of the financial statements  
for the year ended 31 December 2012 (continued)

## 31 Ultimate parent undertaking

The ultimate control of Western United Investment Company Limited rests with The Lord Vestey, G M W Vestey and R J H Vestey who, between them, have control of all the issued voting shares of the Company

## 32 Related Parties

### Group

At the end of the year deferred consideration has been provided for future earn-outs to the following minority shareholders, who are also directors or senior managers of those companies

- £0 7m (2011 - £1 3m) payable to Robert Mollison, a 3% (2011 - 3%) minority shareholder of Global Group UK Holdings Limited and previously Managing Director of Vestey Foods UK Limited. No payment was made in 2012 (2011 - £Nil),
- £Nil (2011 - £1 2m) payable to Thorsten Rachow, the Managing Director of Vestey Foods Germany GmbH, for deferred consideration following the purchase of shares in Vestey Foods Germany GmbH in December 2012,
- £Nil (2011 - £2 0m) payable to Thorsten Rachow for his cash settled scheme following his purchase of the Groups shares in Vestey Foods Germany GmbH in December 2012,
- £0 1m (2011 - £0 1m) payable to Paul Van den Meutter, a 12 5% minority shareholder and Managing Director of Vestey Foods Benelux NV,
- £0 1m (2011 - £0 1m) payable to Jack Jongenelen, a 12 5% minority shareholder and customer of Vestey Foods Benelux NV, and
- £0 4m (2011 - £0 3m) payable to Daiva Slakartiene, a 10% minority shareholder of UAB Vestey Foods Baltics,
- £0 4m (2011 - £0 3m) payable to Virginus Slakaitis, a 10% minority shareholder of UAB Vestey Foods Baltics,
- £0 3m (2011 - £0 2m) payable to Migle Kersuliene, an 8% minority shareholder of UAB Vestey Foods Baltics,
- £0 3m (2011 - £0 2m) payable to Rolandas Kersulis, a 7% minority shareholder of UAB Vestey Foods Baltics,
- £0 1m (2011 - £0 2m) payable to Michel Recart the president and holder of 10% share options in Vestey Foods France SAS, and
- £0 1m (2011 - £0 2m) payable to Gilles Bensimon the managing director and holder of 10% share options in Vestey Foods France SAS

Vestey Foods Benelux NV paid £0 1m rent to Corimex NV (2011 - £0 1m), a company that is 50% owned by Paul Van den Meutter, the Vestey Foods Benelux NV Managing Director and 12 5% minority shareholder

Paul Van den Meutter provides his services to Vestey Foods Benelux NV through a company, PVdM Consulting NV and is charging VF Benelux £0 1m each month (2011 - £0 1m). At 31 December 2012 there was an amount outstanding to PVdM Consulting NV of £0 1m (2011 - £0 1m)

# Western United Investment Company Limited

Notes forming part of the financial statements  
for the year ended 31 December 2012 (continued)

## 32 Related parties (continued)

Vestey Foods Benelux NV sold products totalling £1 1m to BHVC (2011 - £1 8m), a company controlled by Jack Jongenelen, the remaining 12.5% minority shareholder of Vestey Foods Benelux NV. At 31 December 2012 Vestey Foods Benelux NV owed £0 1m to BHVC (2011 - £0 1m owed by BHVC to Vestey Foods Benelux NV).

During the year Donald Russell Holdings Limited issued 4% interest bearing unsecured loan notes to the following who were also shareholders of that company

- £1 6m loan notes issued to Hansjoerg Baumann, with £0 1m of accrued interest outstanding at the year-end, and
- £0 1m loan notes issued to Ian Morrison

During the year the Group sold its shares in Vestey Foods Germany GmbH to Thorsten Rachow, the Managing Director, for £12 2m (Note 12)

At 31 December 2012 Vestey Foods Group Limited had a loan due from Vestey Foods Japan Limited, its 35% owned associated undertaking of £0 4m (2011 - £0 5m)

Vestey Foods UK Limited sold products totalling £20 2m to Purple FoodService Solutions Limited (2011 - £19 4m), a company owned 20% by Vestey Holdings Limited. At 31 December 2012 Purple FoodService Solutions Limited owed £6 2m to Vestey Foods UK Limited (2011 - £1 2m)

### Group and Company

The Lord Vestey, Mr G M W Vestey and Mr R J H Vestey are connected with the trustees of a Settlement dated 25 March 1942 made between Sir Edmund Hoyle Vestey Baronet and The Right Honourable Samuel Second Baron Vestey (1) James Flynn and Reginald Stephens Beak (2) and Ulster Bank Limited (3) ("the F&B Trust"). They are also connected with the Company and its subsidiaries. At the year end £56 2m (2011 - £56 2m) was payable to the F&B Trust, being the balance on an unsecured loan which is free of interest with no specified date of repayment.

There are no other material transactions with group companies that are less than 100% owned and that have not been eliminated on consolidation.