

**Neerock Limited**  
**(trading as Woodhead Bros. Meat Company)**

**Directors' report and financial statements**

**Registered number 2572702**

**52 weeks ended 30 January 2011**

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**Neerock Limited**

**52 weeks ended 30 January 2011**

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## **Directors' report**

The Directors have pleasure in presenting their report and the Company's audited financial statements for the 52 weeks ended 30 January 2011

### **Result and dividend**

The profit for the financial period after taxation amounted to £36,760,000 (2010 £31,833,000) The Directors do not recommend the payment of a dividend (2010 £nil)

The principal activity of the Company is fresh meat processing, predominantly for Wm Morrison Supermarkets PLC and its associated companies (the Group) The Directors are not aware, at the date of this report, of any likely major changes in the Company's activities in the next year.

The results for the Company show a pre-tax profit of £51,498,000 (2010 £45,431,000) for the period and sales of £533,063,000 (2010 £478,968,000) The Company primarily supplies to the retail stores within the Group and the improved sales performance this period is a result of increasing customer footfall from improved customer appeal to the Group's refreshed stores and ranges. The Group opened 14 new stores during the year, further increasing the Company's sales Sales to third parties represent less than 10% of total turnover in the period There is no intention by the Company or its parent company to change trading in this regard

The Company's Directors believe that due to the close relationship between the performance of the wider Group and the performance of the Company, further key performance indicators are not necessary or appropriate for an understanding of the development, performance or position of the business The performance of the Group is discussed in more detail in the Group Annual Report and financial statements, which do not form part of this report

### **Future outlook**

As a subsidiary of Wm Morrison Supermarkets PLC, the Company will continue to benefit from maintaining industry leading fresh meat product lead times for the growing number of store outlets This, together with the Group's commitment to investment, will ensure the Company maintains the current level of performance in future This is also discussed in the Group Annual report and financial statements

### **Risks and uncertainties**

The Company's risks and uncertainties are managed by the Group, details of which are discussed in more detail in the Group Annual report and financial statements

### **Environment and social responsibilities**

The Group recognises the importance of its environmental responsibilities, monitors its impact on the environment and designs and implements policies to reduce any damage that might be caused by the Group's activities The Company operates in accordance with Group policies, which are described in the Group's Annual report and financial statements Initiatives designed to minimise the Company's impact on the environment include safe disposal of manufacturing waste, recycling and reducing energy consumption Group policies also incorporate responsibilities to society and local communities

## **Directors' report (continued)**

### **Employment policy**

The Company's comprehensive employment policies cover recruitment, selection, retention, remuneration, education, development and equality

#### *Employee involvement*

Employees are kept as fully informed as possible about the activities of the business. This is achieved through internal publications, communications programmes, notice boards, briefings and local, regional and national consultative committees

The Company recognises a number of trade unions and has a partnership agreement with USDAW

The Company encourages employee involvement in the financial performance of the business through participation in either the Group Profit Share scheme or Management Bonus Plan or Long Term Incentive Plan and savings related share option schemes

#### *Employee Relations*

The Company is an equal opportunities employer. Equal opportunities are offered to all regardless of race, colour, nationality, religion, sex, marital status, disability or age

The Group gives full and fair consideration to applications for employment made by people with disabilities. The policy is to offer equal opportunity to all disabled candidates and employees who have a disability, or who become disabled during the course of their employment. A full assessment of the individual's needs is undertaken and, where practical, modifications are made to the work environment or business practices in order to assist those with disabilities

All candidates and employees are treated equally in respect of recruitment, promotion, training, pay and other employment policies and practices. All decisions are based on merit

### **Internal control**

The Board is responsible for internal control systems within the Company and for reviewing its effectiveness. The systems are designed to reduce so far as possible the risk of failure to achieve business objectives and of material misstatement or loss

### **Payment to creditors**

Supplier credit is an extremely important factor in the success of the business. Whilst the Company does not follow any specified code or standard on payment practice it does endeavour to ensure all payments are made within mutually agreed credit terms. Where disputes arise the Company attempts to sort them out promptly and amicably to ensure delays in payment are kept to a minimum. Creditor days outstanding at 30 January 2011 were 13 days (2010 15 days).

### **Going concern**

The Director's assessment of the Company's ability to continue as a going concern has taken into consideration the effect that the current economic climate has on the Group

The Company is a wholly owned subsidiary of Wm Morrison Supermarkets PLC and the assessment of going concern of the Group is considered in the Group annual report and financial statements

The going concern basis has continued to be adopted in the preparation of the financial statements

**Neerock Limited**

**52 weeks ended 30 January 2011**

## **Directors' report (continued)**

### **Directors**

The Directors who held office during the period and up to the date of signing these financial statements were

J Lill

C Walker (resigned 6 September 2011)

A Thornber

M Fletcher

A Pleasance (appointed 6 September 2011)

### **Disclosure of information to auditors**

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware, and each Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information

### **Auditor**

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG Audit Plc will therefore continue in office. A resolution to authorise the Directors to set their remuneration is to be proposed at the forthcoming Annual General Meeting

By order of the Board



**G McMahon**

Company secretary

Registered office  
Hilmore House  
Gain Lane  
Bradford  
BD3 7DL

25 October 2011

**Statement of Directors' responsibilities in respect of the Directors' report and the financial statements**

The Directors are responsible for preparing the Directors' report and the financial statements in accordance with applicable law and regulations

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

## **Independent auditor's report to the members of Neerock Limited**

We have audited the financial statements of Neerock Limited for the 52 weeks ended 30 January 2011 set out on pages 6 to 16. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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

### **Respective responsibilities of Directors and auditor**

As explained more fully in the Directors' responsibilities statement set out on page 4, 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 (APB's) Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the APB's 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 Company's affairs as at 30 January 2011 and of its profit for the 52 weeks then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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

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

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

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

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



Chris Herald (Senior Statutory Auditor)  
for and on behalf of KPMG Audit Plc, Statutory Auditor  
Chartered Accountants  
1 The Embankment,  
Neville Street  
Leeds LS1 4DW  
25 October 2011

## **Neerock Limited**

**52 weeks ended 30 January 2011**

### **Accounting policies**

The term 'Company' refers to Neerock Limited and the term 'Group' refers to Wm Morrison Supermarkets PLC and its subsidiary undertakings

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

### **Basis of preparation**

These separate financial statements of Neerock Limited, which have been prepared under the historic cost convention, on the going concern basis and in accordance with applicable accounting standards under UK GAAP, are presented as required by the Companies Act 2006

The Directors have chosen not to prepare consolidated financial statements for Neerock Limited in accordance with the provisions of section 400 of the Companies Act 2006. The results of the Company are included in the consolidated financial statements of Safeway Limited and of Wm Morrison Supermarkets PLC

Under FRS 8 the Company is exempt from the requirement to disclose related party transactions with the Wm Morrison Supermarkets PLC Group on the grounds that it is a wholly owned subsidiary

Under FRS 1 the Company is exempt from the requirement to prepare a cash flow statement on the grounds that Wm Morrison Supermarkets PLC includes the Company in its own published consolidated financial statements and these are publicly available

### **Turnover**

Turnover represents the amounts (excluding value added tax) derived from the provision of goods to customers during the period. Substantially all turnover is to customers based in the United Kingdom

### **Fixed assets and depreciation**

Tangible fixed assets are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the item

The policy of the Company is to provide depreciation at rates which are calculated to write off the cost less residual value of tangible fixed assets by equal annual instalments

Freehold buildings	-	2 ½ % of original cost
Plant, equipment and vehicles	-	15% to 33% of original cost

Freehold land is not depreciated

Assets are reviewed for indications of impairment when events or changes in circumstances indicate that their carrying amount may not be recoverable. If there are indications then a test is performed on the asset affected to assess its recoverable amount against carrying value. An asset impaired is written down to the higher of value in use or its fair value less costs to sell

There is no significant variance between book value and market value of freehold land

### **Stocks**

Stocks are valued at the lower of weighted average cost and net realisable value. Cost comprises purchase price, import duties, rebates and other non-recoverable taxes. Stocks comprise of finished goods



## Accounting policies (continued)

### Pension costs

Certain employees of the Company are members of the Wm Morrison Supermarkets PLC Group pension scheme

Retirement benefits to employees are provided by this defined benefit scheme which is funded by contributions from the Company and employees and its assets are held in a separate trustee administered fund. It is not possible to identify the Company's share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 17 *Retirement benefits*, the Company accounts for the scheme as if it were a defined contribution scheme. As a result the amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

The Group also operates a stakeholder pension scheme and contributions are charged to the profit and loss account as they arise.

### Deferred and current taxation

Current tax payable is based on the taxable profit for the year using tax rates in effect throughout the year. Taxable profit differs from the profit as reported in the profit and loss account as it is adjusted both for items that will never be taxable or deductible and timing differences.

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise, based on tax rates enacted or substantively enacted at the balance sheet date. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in different periods from those in which they are included in the financial statements.

Deferred tax assets are recognised to the extent that it is more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

### Share-based payments

The parent company issues equity-settled share-based payments to certain employees in exchange for services rendered by them. The fair value of the share-based award is calculated at the date of grant and is expensed on a straight line basis over the vesting period with a corresponding increase in equity. This is based on the parent company's estimate of share options that will eventually vest. This takes into account movement of non-market conditions, being service conditions and financial performance, if relevant. The fair value of equity-settled awards granted is not subsequently revisited.

Fair value is measured by use of a binomial stochastic model. The expected life used in the model has been adjusted, based on management's best estimate, for effects of non-transferability, exercise restrictions and behavioural considerations.

The cost of the share-based award relating to the Company is calculated, based on an appropriate apportionment, and recharged from the parent company to the subsidiary.

**Neerock Limited****52 weeks ended 30 January 2011****Profit and loss account**

	Note	52 weeks ended 30 January 2011 £000	52 weeks ended 31 January 2010 £000
<b>Turnover</b>		<b>533,063</b>	<b>478,968</b>
Change in stocks		(1,777)	1,069
Other operating income		169	143
Raw materials and consumables		(417,765)	(374,153)
<b>Operating gross profit</b>		<b>113,690</b>	<b>106,027</b>
Staff costs	2	(29,903)	(25,297)
Depreciation		(5,406)	(4,961)
Profit on disposal of fixed assets		88	26
Other operating charges		(27,126)	(30,545)
<b>Operating profit</b>	1	<b>51,343</b>	<b>45,250</b>
Interest receivable and similar income	4	155	181
<b>Profit on ordinary activities before taxation</b>		<b>51,498</b>	<b>45,431</b>
Taxation on profit on ordinary activities	5	(14,738)	(13,598)
<b>Profit on ordinary activities after taxation</b>		<b>36,760</b>	<b>31,833</b>

All recognised gains and losses relating to the period and the preceding period arise from continuing operations and are shown in the profit and loss account

There are no material differences between the profit on ordinary activities before taxation and the profit on ordinary activities after taxation stated above and their historical cost equivalents

**Neerock Limited**  
**52 weeks ended 30 January 2011**

**Balance sheet**

30 January 2011

	Note	2011 £000	2010 £000
<b>Fixed assets</b>			
Tangible assets	6	34,899	31,435
<b>Current assets</b>			
Stocks		8,231	6,454
Debtors	7	112,400	86,612
Cash in hand		15,492	13,008
		136,123	106,074
Creditors amounts falling due within one year	9	(35,058)	(38,305)
<b>Net current assets</b>		<b>101,065</b>	<b>67,769</b>
<b>Net assets</b>		<b>135,964</b>	<b>99,204</b>
<b>Capital and reserves</b>			
Called-up share capital	10	2,000	2,000
Profit and loss account	11	133,964	97,204
<b>Equity shareholders' funds</b>	11	<b>135,964</b>	<b>99,204</b>

The accounting policies on page 6 and 7, together with the notes on pages 10 to 16, form part of these accounts

The financial statements were approved by the Board of Directors on 25 October 2011 and were signed on its behalf by



**M Fletcher**  
Director

**Neerock Limited****52 weeks ended 30 January 2011****Notes to the financial statements****1. Operating profit**

	<b>52 weeks ended 30 January 2011 £000</b>	<b>52 weeks ended 31 January 2010 £000</b>
Operating profit is stated after charging/(crediting)		
Auditors' remuneration	31	31
Depreciation of tangible fixed assets	5,406	4,961
Profit on sale of assets	(88)	(26)

Fees paid to the auditors in relation to non-audit services were borne by the Group

**2. Staff numbers and costs**

The average number of persons employed by the Company (including Executive Directors) during the period, analysed by category, was as follows

	<b>Number of employees</b>	
	<b>52 weeks ended 30 January 2011</b>	<b>52 weeks ended 31 January 2010</b>
Selling and admin	90	88
Production	1,212	1,054
	<b>1,302</b>	<b>1,142</b>

The aggregate payroll costs of these persons were as follows:

	<b>52 weeks ended 30 January 2011 £000</b>	<b>52 weeks ended 31 January 2010 £000</b>
Wages and salaries	26,872	22,544
Social security costs	2,517	2,084
Pension costs	202	191
Share-based payments	277	230
Other staff costs	35	248
	<b>29,903</b>	<b>25,297</b>

During the period no emoluments of the Directors have been paid by the Company. These costs were borne by its ultimate parent company Wm Morrison Supermarkets PLC.

**Notes to the financial statements (continued)****3. Pension scheme**

Employees joining the Company after September 2000 are no longer eligible to gain automatic entry into the defined benefit pension scheme. In June 2001 the Company established a stakeholder pension scheme, open to all employees, to which the Company makes matching contributions of a maximum of 5% of eligible earnings.

The defined benefit scheme that some employees are members of is operated by the Company's parent, Wm Morrison Supermarkets PLC. Full FRS 17 disclosures relating to that scheme are shown in the accounts of that company but can be summarised as follows:

	2011 £000	2010 £000
Surplus in the scheme	16,000	22,000
Related deferred tax liability	(4,000)	(6,000)
Net pension asset	12,000	16,000

The latest full actuarial valuation was carried out at 6 April 2010 and were updated for FRS 17 purposes for the period to 30 January 2011 by a qualified independent actuary. The Group contribution for the period was £22,000,000 (2010: £22,000,000).

**4. Interest receivable and similar income**

	52 weeks ended 30 January 2011 £000	52 weeks ended 31 January 2010 £000
Bank interest receivable	155	181

**5. Taxation on profit on ordinary activities**

	52 weeks ended 30 January 2011 £000	52 weeks ended 31 January 2010 £000
<b>Current taxation</b>		
Tax on profit on ordinary activities at 28% (2010: 28%)	15,024	13,162
Adjustment in respect of prior periods	(81)	355
	14,943	13,517
<b>Deferred taxation</b>		
Origination of timing differences	(196)	(263)
Adjustment in respect of prior periods	(9)	344
	(205)	81
<b>Total taxation charge in the profit and loss account</b>	<b>14,738</b>	<b>13,598</b>

## Notes to the financial statements (continued)

### 5. Taxation on profit on ordinary activities (continued)

The current taxation charge differs from the standard rate of UK corporation tax due to the following factors

	52 weeks ended 30 January 2011 £000	52 weeks ended 31 January 2010 £000
Profit on ordinary activities before taxation	51,498	45,431
Taxation on profit on ordinary activities at 28% (2010 28%)	14,419	12,721
Expenses not deductible for tax purposes	288	28
Non-qualifying depreciation	107	86
Depreciation in excess of capital allowances	210	263
Other	-	64
Adjustment in respect of prior periods	(81)	355
<b>Resulting current tax charge for the period</b>	<b>14,943</b>	<b>13,517</b>

#### Post balance sheet event

The Finance (No 2) Act 2010, which was substantively enacted on 20 July 2010, includes legislation reducing the main rate of corporation tax from 28% to 27% from 1 April 2011. The effect of this change in tax rate is a charge of £13,000 to the profit and loss account.

It has been announced that future Finance Acts will continue to reduce tax rates by a further 1% per year for the next three years. The Budget of March 2011 has indicated that the main rate of corporation tax will further reduce to 26% applicable from April 2011, this will result in a corporation tax rate of 23% by April 2014. This has yet to be enacted, and so has not been reflected in these accounts.

Had the reduction been incorporated, both the deferred tax asset and the profit and loss account charge would be reduced by a further £52,000.

## Notes to the financial statements (continued)

## 6. Tangible fixed assets

	Freehold land and buildings £000	Plant equipment and vehicles £000	Total £000
<b>Cost</b>			
At 31 January 2010	19,579	31,554	51,133
Additions	2,986	5,734	8,720
Transfers from parent undertaking	142	25	167
Disposals	-	(1,158)	(1,158)
<b>At 30 January 2011</b>	<b>22,707</b>	<b>36,155</b>	<b>58,862</b>
<b>Depreciation</b>			
At 31 January 2010	3,597	16,101	19,698
Charge for period	492	4,914	5,406
Transfers from parent undertaking	7	9	16
Disposals	-	(1,157)	(1,157)
<b>At 30 January 2011</b>	<b>4,096</b>	<b>19,867</b>	<b>23,963</b>
<b>Net book value</b>			
<b>At 30 January 2011</b>	<b>18,611</b>	<b>16,288</b>	<b>34,899</b>
At 31 January 2010	15,982	15,453	31,435

The value of land that is not depreciated included in Freehold land and buildings is £3,665,000 (2010: £3,665,000)

The value of assets under construction on which depreciation is not being charged is £324,000 (2010: £4,000,000)

**Notes to the financial statements (continued)**

**7. Debtors**

	2011 £000	2010 £000
Trade debtors	7,804	8,715
Amounts owed by Group undertakings	103,872	77,669
Prepayments and accrued income	92	74
Other debtors	273	-
Deferred tax asset (note 8)	359	154
	<b>112,400</b>	<b>86,612</b>

Amounts owed by Group undertakings are non-interest bearing

**8. Deferred taxation**

The movement on deferred tax is as follows

	2011 £000	2010 £000
At beginning of period	154	235
Credit/(charge) to profit and loss account	205	(81)
At end of period	<b>359</b>	<b>154</b>

The asset can be analysed as follows

	2011 £000	2010 £000
Accelerated capital allowances	180	(110)
Other timing differences	179	264
	<b>359</b>	<b>154</b>

The deferred tax asset is recognised as the Company forecasts future taxable profits against which to recover this tax

**9. Creditors: amounts falling due within one year**

	2011 £000	2010 £000
Trade creditors	16,328	17,840
Amounts owed to Group undertakings	501	681
Corporation tax	14,943	13,517
Accruals and deferred income	3,286	6,267
	<b>35,058</b>	<b>38,305</b>



## Notes to the financial statements (continued)

## 10. Called-up share capital

	2011 £000	2010 £000
<b>Authorised, allotted, called-up and fully paid</b>		
2,000,000 Ordinary shares of £1 each	2,000	2,000

## 11. Reconciliation of movements in shareholders' funds

	Share capital £000	Profit and loss account £000	Total £000
<b>Current year</b>			
At beginning of period	2,000	97,204	99,204
Profit on ordinary activities after taxation	-	36,760	36,760
<b>At end of period</b>	<b>2,000</b>	<b>133,964</b>	<b>135,964</b>
<b>Prior year</b>			
At beginning of period	2,000	65,371	67,371
Profit on ordinary activities after taxation	-	31,833	31,833
<b>At end of period</b>	<b>2,000</b>	<b>97,204</b>	<b>99,204</b>

## 12. Share-based payments

The disclosure requirements for FRS 20 *Share-based payment* are identical to that of IFRS 2 *Share-based payment*. Full IFRS 2 disclosures are provided in the parent company accounts

## 13. Guarantees and other financial commitments

The Company is party to a Group-wide guarantee comprising a net-off and/or set-off arrangement in connection with its banking facilities

## 14. Principal subsidiaries

Subsidiary	Principal activity	% equity holding
Safeway Trustees (Furb) Limited	Dormant	100
Safeway Stores (Gibraltar) Pension Trustees Limited	Dormant	50

Each of the above companies are registered in England and Wales

**Neerock Limited**

**52 weeks ended 30 January 2011**

**Notes to the financial statements (continued)**

**15. Ultimate parent undertaking**

The immediate and ultimate parent undertaking is Wm Morrison Supermarkets PLC which is incorporated in Great Britain and registered in England and Wales

Copies of the financial statements of the Group are available from:

The Company Secretary

Wm Morrison Supermarkets PLC  
Hilmore House  
Gain Lane  
Bradford  
BD3 7DL