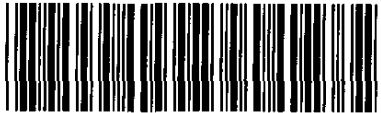


DeLaval Limited

Report and Financial Statements

31 December 2018

Company Number 01945075.

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	SPE	29/11/2019	#42
SA	COMPANIES HOUSE		
	A8JSZC40		
	A25	07/12/2019	#38
F	COMPANIES HOUSE		
	A8J8H5EH		
	A18	29/11/2019	#188
	COMPANIES HOUSE		

Company Information

Directors

K Ree
S P Lofgren
C Murphy

Auditors

Ernst & Young LLP
The Paragon
Counterslip
Bristol BS1 6BX

Bankers

ING Bank NV, London branch
8-10 Moorgate
London, EC2R 6DA
United Kingdom

Registered Office

Oak House
Pascal Close
St Mellons
Cardiff CF3 0LW

Strategic report

The directors present their strategic report for the year ended 31 December 2018.

Principal activity and review of the business

The company's principal activity is the sale of products for agricultural use. The company's key performance indicators during the year were as follows:

	2018 £000	2017 £000
Revenue from contracts with customers	17,983	12,990
Operating Profit	749	756
Profit after tax	556	605
Shareholders' funds	2,560	2,004

Revenue increased in 2018 by 38% from prior year with unchanged operating profit. The order book carried into 2018 was 52% higher than when entering into 2017 which supported this increase in sales. Higher Cost of sales and increases in Administration costs caused Operating Profit to slightly decrease compared to previous year. The main driver for the increased Administration costs are the commercial launch of DeLaval's new milking robot, DeLaval VMSTM V300, in 2018.

Management continues to place emphasis on the working capital cycle for the forthcoming financial year, with stock holding days and sales outstanding in particular being constantly monitored to maximise cash flow and reduce capital borrowing costs.

Future developments

The company expects the main growth to come from the capital goods segment of the business whilst aftermarket is expected to continue at the same level as 2018. The company is expecting a continued positive sales development for 2019 and to show profit for 2019.

Principal risks and uncertainties

The directors continually review and evaluate the risks that the company is facing. The principal risks and uncertainties facing the company are broadly grouped as competitive, legislative, financial and foreign exchange risk.

Competitive risks

Largely owing to the nature of the market in the UK, the company has strong competition. During 2018 the company strengthened its position in the UK market, a statement supported by increased market shares compared to 2017. The company believes this was achieved due to the strong emphasis on its excellent service levels, quality of its product and competitive pricing to its customer base to maintain its position within the market.

Legislative risks

Risk within the UK industry is controlled by specific recognised bodies that provide good practice/standards to follow.

Strategic report (continued)

Financial risks

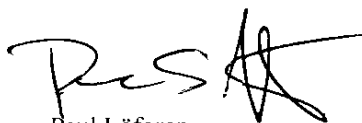
The Group has an established global risk and financial management framework whose primary objectives are to protect the company from events that hinder the achievement of the company's performance objectives. The key objectives for local management aim to limit undue counterparty exposure, ensure sufficient working capital exists and monitor the management of risk at a business unit level.

Foreign exchange risks

The parent of DeLaval Limited uses forward foreign currency contracts to reduce exposure to the variability of foreign exchange rates by fixing the rate of any material payments in a foreign currency. The company does not enter into contracts itself, using GBP as its main trading currency.

The full business implications of Brexit remain uncertain, which will be the case for some time, and any risks arising will be a key focus area for management in the next financial year. Currency fluctuations, trading arrangements, employment issues and other risks that become apparent over time will be monitored by management and mitigation put in place where possible.

On behalf of the Board



Paul Löfgren

Director

Date: 22.11.2019

Directors' report

The directors present their report and financial statements for the year ended 31 December 2018.

Results and dividends

The profit for the year after taxation amounted to £556k (2017 – profit of £605k). The directors recommend a dividend level of £500k, due to be paid in November 2019 (2017 – £nil).

Future developments

The company expects the main growth to come from the capital goods segment of the business whilst aftermarket is expected to continue at the same level as 2018.

Directors

The directors who served the company during the year were as follows:

K Ree
S P Lofgren
D Evans (resigned 31 January 2018)
C Murphy (appointed 1 February 2018)

Going concern

The financial statements are prepared on a going concern basis which the directors believe to be appropriate as the directors have a reasonable expectation that the company has adequate resources to continue in operation for the foreseeable future.

Events after the balance sheet date

The directors recommend a dividend level of £500k, due to be paid in November 2019 (2017 – £nil).

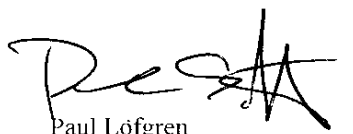
Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the company's auditor, each director has taken all the steps that he/she is obliged to take as a director in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditors

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

On behalf of the Board


Paul Lofgren
Director
Date: 22.11.2019

Statement of directors' responsibilities

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

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

- select suitable accounting policies and then apply them consistently;
- make judgments and 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 proper 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.

Independent auditors' report

to the members of DeLaval Limited

Opinion

We have audited the financial statements of DeLaval Limited for the year ended 31 December 2018 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, and the related notes 1 to 18, including a summary of significant accounting policies. 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), including FRS 101 "Reduced Disclosure Framework".

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2018 and of its profit 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine

Independent auditors' report

to the members of DeLaval Limited (continued)

Other information (continued)

whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which 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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Independent auditors' report

to the members of DeLaval Limited (continued)

Use of our report

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.

Ernst & Young LLP

Paul Mapleston (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP, Statutory Auditor
Bristol

Date *28th November 2019*

Statement of comprehensive income

for the year ended 31 December 2018

		2018	2017
	Notes	£000	£000
Revenue from contracts with customers	3	17,983	12,990
Cost of sales		(12,811)	(8,790)
Gross Profit		5,172	4,200
Distribution costs		(1,203)	(1,197)
Administrative expenses		(3,220)	(2,247)
Operating Profit	4	749	756
Interest payable and similar charges	7	(41)	(21)
Profit on ordinary activities before taxation		708	735
Tax expense	8	(152)	(130)
Profit for the financial year		556	605
Other comprehensive income		—	—
Total comprehensive income for the year, net of tax		556	605

All amounts relate to continuing activities.

Registered No. 01945075

Balance sheet

at 31 December 2018

	Notes	2018 £000	2017 £000
Fixed assets			
Tangible assets	9	415	410
		415	410
Current assets			
Stocks	10	3,509	3,546
Debtors	11	3,341	2,600
Cash at bank and in hand		40	123
		6,890	6,269
Creditors: amounts falling due within one year	12	(4,745)	(4,675)
Net current assets		2,145	1,594
Net assets		2,560	2,004
Capital and reserves			
Called up share capital	15	1,500	1,500
Share premium account		319	319
Profit and loss account		741	185
Shareholders' funds		2,560	2,004

The financial statements were approved by the board of directors and authorised for signature on their behalf by:



Paul Löfgren

Director

Date: 27.11.2019

Statement of changes in equity

at 31 December 2018

	<i>Share capital £000</i>	<i>Share Premium £000</i>	<i>Profit and loss account £000</i>	<i>Total equity £000</i>
As at 1 January 2017	1,500	319	(420)	1,399
Profit for the year	—	—	605	605
Other Comprehensive Income	—	—	—	—
At 31 December 2017	1,500	319	185	2,004
Profit for the year	—	—	556	556
Other Comprehensive Income	—	—	—	—
At 31 December 2018	1,500	319	741	2,560

Notes to the financial statements

at 31 December 2018

1. Statement of compliance with FRS 101

DeLaval Limited is a company limited by shares incorporated and domiciled in England and Wales. These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) under the historical cost convention and in accordance with applicable accounting standards.

DeLaval Limited is incorporated and domiciled in England and Wales. The registered office is located at:
Oak House

Pascal Close
St Mellons
Cardiff CF3 0LW

The Company's financial statements are presented in Sterling, which is also the Company's functional currency, and all values are rounded to the nearest thousand pounds (£000) except when otherwise indicated.

2. Accounting policies

2.1 Basis of preparation

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2018.

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- (a) the requirements of IFRS 7 Financial Instruments: Disclosures;
- (b) the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement;
- (c) the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
 - (i) paragraph 79 (a) (iv) of IAS 1;
 - (ii) paragraph 73 (e) of IAS 16 Property, Plant and Equipment;
- (d) the requirements of paragraphs 10 (d), 10(f), 39(c) and 134-136 of IAS 1 Presentation of Financial Statements;
- (e) the requirements of IAS 7 Statement of Cash Flows. The company is exempt from preparing a cash flow statement as a group cash flow statement is prepared by its parent undertaking, Tetra Laval Holdings BV.
- (f) the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- (g) the requirements of paragraph 17 of IAS 24 Related Party Disclosures;

Notes to the financial statements

at 31 December 2018

2. Accounting policies (continued)

2.1 Basis of preparation (continued)

- (h) the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member; and
- (i) the requirements of paragraphs 134 (d) - 134(f) and 135(c) - 135(e) of IAS 36 Impairment of Assets
- (j) the requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c) 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers.

2.2 Going concern

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the report and financial statements.

2.3 Significant accounting judgements, estimates and assumptions

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

The following estimates are dependent upon assumptions which could change in the next financial year and have a material effect on the carrying amounts of assets and liabilities recognised at the balance sheet date:

- i) provision for excess and slow moving inventory
- ii) provision for bad and doubtful debts
- iii) provision for warranty

The Company provides warranties for general repairs of defects that existed at the time of sale, as required by law. Provisions related to these assurance-type warranties are recognised when the product is sold, or the service is provided to the customer. Initial recognition is based on historical experience. The initial estimate of warranty related costs is revised annually.

2.4 Significant accounting policies

Revenue from contracts with customers

The Company recognises revenue as follows:

Revenue is recognised at an amount that reflects the consideration to which the Company is expected to be entitled in exchange for transferring goods to a customer. For each arrangement with a customer, the Company: identifies whether the arrangement meets the definition of a contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each performance obligation to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods promised

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts or any other contingent events such as sales or usage-based royalties. Such estimates are determined using either the 'expected value' or 'most likely amount' method.

Notes to the financial statements

at 31 December 2018

2.4 Significant accounting policies (continued)

Revenue from contracts with customers (continued)

The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are initially recognised as deferred revenue in the form of a separate refund liability. Whenever applicable, the Company applies the variable consideration allocation exception to recognise revenue for variable amount related to a distinct service that forms part of a single performance obligation.

Revenue from the sale of products to the agricultural industry is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the equipment. The normal credit term is 30 to 90 days upon delivery.

Contract balances

Contract assets

A contract asset is the right to consideration in exchange for goods transferred to the customer. If the Company performs by transferring goods to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Trade receivables

A receivable represents the Company's right to an amount of consideration that is unconditional (i.e. only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets in Financial instruments. The Company's trade receivables are all related to the value of revenue receivable from rendering services.

Contract liabilities

A contract liability is the obligation to transfer goods to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company transfers goods to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Company performs under the contract.

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is calculated so as to write off the cost of an asset, net of anticipated disposal proceeds, over the useful economic life of that asset as follows:

Plant, machinery, equipment, fixtures and fittings	—	between 4 and 14 years
Freehold buildings	—	25 years

Impairment of non-financial assets

Tangible fixed assets are reviewed for impairment whenever events or changes in circumstances indicate the assets may not be recoverable

Notes to the financial statements

at 31 December 2018

2.4 Significant accounting policies (continued)

Stocks

Finished Goods are stated at the lower of cost and net realisable value. Cost includes materials, direct labour, transportation and storage costs. Net realisable value is based on estimated selling price, less further costs expected to be incurred to completion and disposal. Work in progress stock is valued at actual cost. Provision is made for obsolete, slow moving or defective items where appropriate.

Income taxes

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities based on tax rates and laws that are enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised, without discounting, in respect of temporary differences between the treatment of certain items for taxation and accounting purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. The carrying amount of deferred income tax assets is reviewed at each balance sheet date.

Foreign currencies

Amounts denominated in foreign currencies are included in the financial statements at rates ruling on the date of the transactions. At the balance sheet date, assets and liabilities are retranslated at the rates ruling at that date. Any gain or loss on translation is taken to the profit and loss account for the year.

Operating leases

Rentals paid under operating leases are charged to profit and loss account net of incentives on a straight-line basis over the lease term.

Pensions

DeLaval Limited operated a defined contribution pension scheme during 2018. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

Provisions for liabilities

Provisions are made where an event has taken place that gives the company a legal or constructive obligation that is likely to require settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation. They are measured at the best estimate at the Balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties. When payments are eventually made, they are charged to the provision carried in the Balance sheet.

Financial instruments

The Company is applying the requirements of IFRS 9 to all financial instruments. Financial assets and financial liabilities are recognised when the party become party to the contractual provisions of the instrument.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and bank deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

Notes to the financial statements

at 31 December 2018

2.4 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. The Company initially measures a financial asset at its fair value plus transaction costs.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Subsequent measurement

Financial assets at amortised cost – trade debtors

This category is the most relevant to the Company. The Company measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows, and;
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to expected credit loss. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. The Company's financial assets at amortised cost includes trade receivables.

Derecognition

A financial asset is primarily derecognised when:

- The rights to receive cash flows from the asset have expired, or;
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

Impairment of financial assets

For trade receivables that are expected to have a maturity of one year or less, the Company has applied the practical expedient and followed the simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For trade receivables and amounts owed from group undertakings, expected credit losses are measured by applying an expected loss rate to the gross carrying amount. The expected loss rate comprises the risk of a default occurring and the expected cash flows on default based on the aging of the receivable. The risk of a

Notes to the financial statements

at 31 December 2018

2.4 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

default occurring always takes into consideration all possible default events over the expected life of those receivables ('the lifetime expected credit losses'). Different provision rates and periods are used based on groupings of historic credit loss experience by product type, customer type and location.

The Company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial liabilities

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The company's financial liabilities include trade and other payables and amounts owed to group undertakings.

Subsequent measurement – Amounts owed to group undertakings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method (EIR). Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

2.5 New or amended Accounting Standards and Interpretations adopted

The Company has adopted the new or amended Accounting Standards and Interpretations issued by the International Accounting Standards Board ('IASB') that are mandatory for the current reporting period. Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Notes to the financial statements

at 31 December 2018

2.5 New or amended Accounting Standards and Interpretations adopted (continued)

The Company applied IFRS 15 and IFRS 9 for the first time. The nature and effect of the changes as a result of adoption of these new accounting standards are described below.

Several other amendments and interpretations apply for the first time in 2018, but do not have an impact on the financial statements of the Company. The Company has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

The Company adopted IFRS 15 on 1 January 2018, not applying the standard retrospectively. Prior period comparatives have therefore not been restated and are in line with IAS 18. The transition to IFRS 15 has no material impact on the financial statements of the company.

IFRS 9 Financial Instruments

The Company has adopted IFRS 9 'Financial Instruments: Recognition and Measurement' as at 1 January 2018 and has not applied the new rules retrospectively. Therefore, the comparative balances are in line with IAS 39. The Company has undertaken an assessment of its accounting policy as a result of the changes in the standard:

- A financial asset shall be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows which arise on specified dates and that are solely principal and interest.
- A debt investment shall be measured at fair value through other comprehensive income if it is held within a business model whose objective is to both hold assets in order to collect contractual cash flow which arise on specified dates that are solely principal and interest as well as selling the asset on the basis of its fair value.
- All other financial assets are classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading or contingent consideration recognised in a business combination) in other comprehensive income ('OCI'). Despite these requirements, a financial asset may be irrevocably designated as measured at fair value through profit or loss to reduce the effect of, or eliminate, and accounting mismatch.
- For financial liabilities designated at fair value through profit or loss, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity.

Notes to the financial statements

at 31 December 2018

2.5 New or amended Accounting Standards and Interpretations adopted (continued)

IFRS 9 Financial Instruments (continued)

Management's review included an assessment of the contractual cash flow characteristics of financial instruments, in order to determine their classification and measurement under IFRS.

Management's assessment was to consider whether the contractual cash flows of the financial instruments represented solely payments of principal and interest (SPPI) in order to determine whether the financial instruments should be classified at amortised cost or fair value through profit and loss.

Management concludes that the financial instruments should continue to be held at amortised cost. There are no changes in classification or measurement of its assets and liabilities as a result of adopting IFRS 9.

IFRS 9 introduces a new impairment model which requires the recognition of impairment provision based on expected credit losses rather than incurred credit losses, as was required under IAS 39.

A credit loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. An expected credit loss is then calculated by a probability-weighted estimate of credit losses over the expected life of the financial instrument. As a result of this assessment, management have determined that no additional provision is required.

2.6 New Accounting Standards and Interpretations not yet mandatory or early adopted

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees - leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

IFRS 16, which is effective for annual periods beginning on or after 1 January 2019, requires lessees and lessors to make more extensive disclosures than under IAS 17. The company is currently in the process of assessing the impact of implementing IFRS 16.

Notes to the financial statements

at 31 December 2018

3. Revenue from contracts with customers

The revenue is attributable to the one principal activity of the company, the sale of products to the agricultural industry.

Analysis of turnover by country of destination:

	2018 £000	2017 £000
United Kingdom	17,983	12,990
	<u>17,983</u>	<u>12,990</u>

The timing of revenue is at point in time only.

4. Operating profit

This is stated after charging/ (crediting):

	2018 £000	2017 £000
Auditors' remuneration – audit of the financial statements	15	19
– other fees (taxation services)	<u>13</u>	<u>9</u>
Depreciation of owned fixed assets	<u>24</u>	<u>32</u>
Operating lease rentals – other (note 13)	<u>169</u>	<u>164</u>
Foreign exchange (loss)/gain	<u>(5)</u>	<u>1</u>

During 2018, £12,078,803 (2017: £9,904,100) was recognised as an expense for inventories carried at net realisable value. This is recognised in cost of sales.

5. Director's remuneration

	2018 £000	2017 £000
Aggregate remuneration in respect of qualifying services	13	255
Value of company pension contributions to money purchase schemes for 1 director (2017 – 1 director)	<u>1</u>	<u>29</u>
	<u>14</u>	<u>284</u>

There are no retirement benefits accruing to the directors (2017 - £nil) under the company's defined contribution scheme

No directors (2017 - £nil) exercised share options.

Notes to the financial statements

at 31 December 2018

6. Staff costs

	2018 £000	2017 £000
Wages and salaries	1,501	1,595
Social security costs	180	206
Other pension costs	191	189
Group life insurance	26	–
	<u>1,898</u>	<u>1,990</u>

Pension costs of £191k (2017 – £189k) were incurred in the year in relation to the defined contribution scheme. There were no outstanding or prepaid contributions at the balance sheet date.

The average monthly number of employees during the year was made up as follows:

	2018 No.	2017 No.
Selling and distribution	25	34
Administration	4	4
Total	<u>29</u>	<u>38</u>

7. Interest payable and similar charges

	2018 £000	2017 £000
Other interest payable	40	21
Other finance costs	1	–
	<u>41</u>	<u>21</u>

Interest payable on other loans in the current and the prior year was due to amounts owed to group undertakings.

Notes to the financial statements

at 31 December 2018

8. Tax

(a) Tax on profit on ordinary activities

The tax charge is made up as follows:

	2018 £000	2017 £000
Current tax:		
UK corporation tax on the profit for the year	132	–
Deferred tax:		
Adjustment in relation to prior years	8	–
Original and revised offsetting differences	12	130
Total tax charge on ordinary activities (note 8(b))	<u>152</u>	<u>130</u>

(b) Factors affecting total tax charge for the year

The tax charge for the year differs from the standard rate of corporation tax in the UK of 19% (2017 – 19.25%). The differences are explained below:

	2018 £000	2017 £000
Profit on ordinary activities before tax	<u>708</u>	<u>735</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017 – 19.25%)	135	141
<i>Effects of:</i>		
Expenses not deductible for tax purposes	10	6
Tax rate changes	(1)	(17)
Adjustments relating to prior year	8	–
Total tax for the year (note 8(a))	<u>152</u>	<u>130</u>

(c) Deferred tax

A deferred tax asset is recognised at 17% (2017 – 17%) in the financial statements as follows:

	2018 £000	2017 £000
Decelerated capital allowances	8	14
Tax losses available for carry forward	–	14
Deferred tax (liability)/asset	<u>8</u>	<u>28</u>

Notes to the financial statements

at 31 December 2018

Tax (continued)

(c) Deferred tax (continued)

The movements in deferred tax are:

	£000
At 1 January 2018	28
Adjustment in respect of prior years	(8)
Deferred tax charge to income statement for the period	(12)
At 31 December 2018	<u>8</u>

(d) Factors that may affect future tax charges

During the year to 31 December 2016 the Finance Act (No.2) 2015 was substantively enacted. The Finance Act (No.2) 2015 includes legislation which will further reduce the corporation tax rate to 19% from 1 April 2017 and 18% from 1 April 2020. The Chancellor has announced in his budget on 16 March 2016, that there would be a further 1% reduction on the rate of corporation tax to 17% on 1 April 2020. This further rate reduction was included in the Finance Bill 2016, which received Royal Assent on 15 September 2016. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

9. Tangible fixed assets

	<i>Freehold land and buildings £000</i>	<i>Plant equipment fixtures and fittings £000</i>	<i>Total £000</i>
Cost:			
At 1 January 2018	750	519	1,269
Additions	—	37	37
Disposals	—	(22)	(22)
At 31 December 2018	<u>750</u>	<u>534</u>	<u>1,284</u>
Depreciation:			
At 1 January 2018	360	499	859
Charge for the year	20	4	24
Disposals	—	(14)	(14)
At 31 December 2018	<u>380</u>	<u>489</u>	<u>869</u>
Net book value:			
At 1 January 2018	<u>390</u>	<u>20</u>	<u>410</u>
At 31 December 2018	<u>370</u>	<u>45</u>	<u>415</u>

Included in freehold land and buildings is freehold land at a cost of £250,000 (2017 – £250,000) which is not depreciated.

Notes to the financial statements

at 31 December 2018

10. Stocks

	2018	2017
	£000	£000
Stock held for resale	3,509	3,546

11. Debtors

	2018	2017
	£000	£000
Trade debtors	3,241	2,535
Amounts owed by group undertakings	21	20
Deferred tax asset (note 8c)	8	28
Prepayments	71	17
	3,341	2,600

12. Creditors: amounts falling due within one year

	2018	2017
	£000	£000
Trade creditors	178	105
Amounts owed to group undertakings	1,692	1,455
Current corporation tax	132	-
Other taxes and social security costs	853	425
Accruals and other creditors	1,890	2,690
	4,745	4,675

13. Obligations under leases

Operating lease agreements where the Company is lessee

At 31 December 2018 the company had aggregate minimum commitments under non-cancellable operating leases as set out below:

Future minimum lease payments due:

	2018	2017
	£000	£000
Not later than one year	116	21
After one year but not more than five years	53	120
After five years	-	-
	169	141

Notes to the financial statements

at 31 December 2018

14. Pensions

Defined Contribution Plan:

Contributions of £191k (2017 – £189k) were made to the defined contribution plan in the current year.

15. Share capital

<i>Issued and fully paid</i>	<i>No.</i>	<i>2018</i>	<i>No.</i>	<i>2017</i>
		<i>£000</i>		<i>£000</i>
Ordinary shares of £1 each	1,499,990	<u>1,500</u>	1,499,990	<u>1,500</u>

16. Ultimate parent undertaking and controlling party

The immediate parent undertaking is DeLaval Holding BV, a company incorporated in the Netherlands, by virtue of its 100% holding in the equity shares of DeLaval Limited.

The company's ultimate parent undertaking and controlling party is Tetra Laval International SA, a company incorporated in The Netherlands. A copy of the group financial statements, which include the company, is available from Herikerbergweg 108-A, 1101 CM Amsterdam, The Netherlands.

17. Bank guarantee

On the 9 March 2018, ING Bank N.V. gave a guarantee of £200k with reference 420391/00 to DeLaval Limited.

18. Subsequent events

The directors recommend a dividend level of £500k, due to be paid in November 2019 (2017 – £nil).