

Company Registration Number: 01945075

DeLaval Limited

Annual Report and Financial Statements

For the year ended 31 December 2020



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Company Information

Directors

K Ree (resigned 31 March 2021)
S P Lofgren
C Murphy
G-J Van Dijk (appointed 1 April 2021)

Auditors

Ernst & Young LLP
Bedford House
16 Bedford Street
Belfast BT2 7DT

Bankers

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

Registered Office

Summers House
Pascal Close
St Mellons
Cardiff CF3 0LW

Strategic report

The directors present their strategic report for the year ended 31 December 2020.

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:

	2020 £000	2019 £000
Revenue from contracts with customers	19,352	19,618
Operating profit	448	402
Profit after tax	535	106
Shareholders' funds	2,701	2,166

Revenue remained stable in 2020 compared to prior year. Until December 2020 the order intake increased by 3% compared to the same period previous year. Although the order intake is up, we observe in the same period a slight decrease in revenue due to the time gap between order intake and actual revenue recognition. Increase in gross profit margin from 20% to 23% percentage and decreases in Administration costs caused Operating profit and profit after tax to increase compared to previous year. Shareholders' funds increased due to increase in profit after tax.

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

Our current outlook for the whole year 2021 is that net invoicing will be on similar level as in 2020, but developments are uncertain and subject to change due to the pandemic. However, the company has not experienced any essential interruptions in business. The company is procuring most of its products from the group and all group facilities has been operational during the Coronavirus outbreak. The company is expecting to show a profit for 2021.

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, foreign exchange and other risk.

Competitive risks

Largely owing to the nature of the market in the UK, the company has strong competition. The directors on a regular basis follow up on the market share developments and take appropriate action when needed.

Legislative risks

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

Strategic report (continued)

Principal risks and uncertainties (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

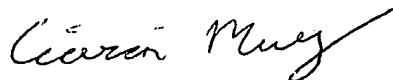
The parent of DeLaval Limited uses forward foreign currency contracts to reduce exposure to the variability of foreign exchange rates by fixing the rate of any material payments in a foreign currency. The company does not enter into contracts itself, using GBP as its main trading currency.

Other risks

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.

The global Covid-19 epidemic will continue to create uncertainty to some extent in most businesses for the foreseeable future and this includes the agricultural business in which the company's customers operate. However, the Covid-19 impact on the food production business is expected to be of lesser extent. Management continues to monitor the impact of the epidemic on its customer business and markets and is prepared to take mitigating actions.

On behalf of the Board



Ciaran Murphy
Director

Date: 23/08/2021

Directors' report

The directors present their annual report and audited financial statements for the year ended 31 December 2020.

Results and dividends

The profit for the year after taxation amounted to £535k (2019 – profit of £106k). The directors recommend dividends in amount £500k to be paid out for fiscal year 2020 at this point (2019 – £nil).

Future developments

Our current outlook for the whole year 2021 is that net invoicing will be on similar level as in 2020, but developments are uncertain and subject to change due to pandemic. However, the company has not experienced any essential interruptions in business. The company is procuring most of its products from the group and all group facilities has been operational during the Coronavirus outbreak. The company is expecting to show a profit for 2021.

Directors

The directors who served the company during the year and up to the date of signing the financial statements were as follows:

K Ree (resigned 31 March 2021)

S P Lofgren

C Murphy

G-J Van Dijk (appointed 1 April 2021)

Going concern

The directors have reviewed cashflow forecasts to 31 August 2022 which indicate that the company has adequate resources to continue in operation and meet all liabilities as they fall due to at least 31 August 2022. The cash flow forecasts include access to funding from the wider Tetra group. The directors have obtained a letter of support from the immediate parent company, DeLaval Holding BV, a company incorporated in the Netherlands, confirming they will continue to support the company to meet all liabilities as they fall due for a period of 12 months from the date of signing these financial statements, which is consistent with the company's going concern assessment period. The directors have assessed the ability of DeLaval Holding BV to provide this support and have no concerns. According these financial statements are prepared on a going concern basis.

Events after the balance sheet date

The directors recommend dividends £500k to be paid out for fiscal year 2020 at this point (2019 – £nil).

Disclosure of information to the auditors

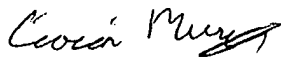
So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the company's 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.

Directors' report (continued)

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



Ciaran Murphy

Director

Date: 23/08/2021

Statement of directors' responsibilities

The directors are responsible for preparing the Strategic Report, 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 comprising FRS 101 "Reduced Disclosure Framework" 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 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 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 2020 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 including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2020 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. 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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period to 31 August 2022, at least 12 months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

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 contained within the annual report. 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. 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 course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. 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.

Independent auditors' report

to the members of DeLaval Limited (continued)

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 6, 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.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Independent auditors' report

to the members of DeLaval Limited (continued)

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud (continued)

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are those that relate to the reporting framework (the Companies Act 2006 and FRS 101 "Reduced Disclosure Framework") and the relevant tax compliance regulations in UK. In addition, we concluded that there are certain significant laws and regulations that may have an indirect effect on the determination of the amounts and disclosures in the financial statements. These are those laws and regulations relating to employee matters, health and safety, environmental and bribery and corruption practices.
- We understood how the company is complying with those frameworks by performing enquiries of management and directors. We corroborated our enquiries by performing a review of the company's board minutes as well as correspondence from regulatory bodies. We noted no contradictory evidence.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by meeting with management across the business to understand where they considered there was a susceptibility to fraud. We also considered performance targets and their influence on efforts made by management to manage earnings and how they would achieve that.
- Based on this understanding we designed audit procedures to identify noncompliance with laws and regulations. We considered the risk of fraud through management override of controls and designed testing over manual journals entries as part of our audit approach. We used data analysis to select manual journals with specific risk criteria and obtained supporting evidence for the journals selected. We also assessed that revenue was a judgemental area of the audit which is more susceptible to fraud. We obtained an understanding of the controls over the process for the recognition of revenue. We tested, the occurrence of the revenue recorded in the financial statements and any manual adjustments to revenue that met specific risk criteria. These procedures included tracing transactions and manual adjustments back to source documentation.

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.

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

Neil Corry (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP, Statutory Auditor
Belfast
Date: 26 August 2021

Statement of comprehensive income

for the year ended 31 December 2020

	Notes	2020 £000	2019 £000
<i>Revenue from contracts with customers</i>	3	19,352	19,618
Cost of sales		(14,364)	(14,193)
Gross profit		4,988	5,425
Distribution costs		(1,464)	(1,515)
Administrative expenses		(3,076)	(3,508)
Operating profit	4	448	402
Interest payable and similar charges	7	(65)	(39)
Profit on ordinary activities before taxation		383	363
Tax credit/ (charge)	8	152	(257)
Profit for the financial year		535	106
Other comprehensive income		—	—
Total comprehensive income for the year, net of tax		535	106

All amounts relate to continuing activities.

The notes on pages 13 to 26 are an integral part of these financial statements

Registered No. 01945075

Balance sheet

at 31 December 2020

	Notes	2020 £000	2019 £000
Fixed assets			
Tangible assets	9	551	447
Right of use assets	13	858	243
		<u>1,409</u>	<u>690</u>
Current assets			
Stocks	10	1,138	2,750
Debtors	11	4,894	4,646
Cash at bank and in hand		41	10
		<u>6,073</u>	<u>7,406</u>
Creditors: amounts falling due within one year	12	<u>(4,082)</u>	<u>(5,785)</u>
Net current assets		<u>1,991</u>	<u>1,621</u>
Total assets less current liabilities		<u>3,400</u>	<u>2,311</u>
Lease liabilities – long term	13	<u>(699)</u>	<u>(145)</u>
Net assets		<u>2,701</u>	<u>2,166</u>
Capital and reserves			
Called up share capital	15	1,500	1,500
Share premium account		319	319
Profit and loss account		882	347
Shareholders' funds		<u>2,701</u>	<u>2,166</u>

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


C Murphy

Director

Date: 23/08/2021

The notes on pages 13 to 26 are an integral part of these financial statements

Statement of changes in equity

at 31 December 2020

	<i>Called up share capital</i> £000	<i>Share premium account</i> £000	<i>Profit and loss account</i> £000	<i>Shareholders ' funds</i> £000
As at 1 January 2019	1,500	319	741	2,560
Profit for the financial year	–	–	106	106
Dividends paid	–	–	(500)	(500)
Other comprehensive income	–	–	–	–
At 31 December 2019	1,500	319	347	2,166
Profit for the financial year	–	–	535	535
Dividends paid	–	–	–	–
Other comprehensive income	–	–	–	–
At 31 December 2020	<u>1,500</u>	<u>319</u>	<u>882</u>	<u>2,701</u>

Called up share capital represents the nominal value of shares that have been issued.

Share premium account represents the amount subscribed for share capital in excess of nominal value.

Profit and loss account includes all current year and prior year accumulated profits and losses less dividends paid.

The notes on pages 13 to 26 are an integral part of these financial statements

Notes to the financial statements

at 31 December 2020

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:

Summers 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 2020.

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 a 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 2020

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;
- (i) the requirements of paragraphs 134 (d) - 134(f) and 135(c) - 135(e) of IAS 36 Impairment of Assets; and
- (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 reviewed cashflow forecasts to 31 August 2022 which indicate that the company has adequate resources to continue in operation and meet all liabilities as they fall due to at least 31 August 2022. The cash flow forecasts include access to funding from the wider Tetra group. The directors have obtained a letter of support from the immediate parent company, DeLaval Holding BV, a company incorporated in the Netherlands, confirming they will continue to support the company to meet all liabilities as they fall due for a period of 12 months from the date of signing these financial statements, which is consistent with the company's going concern assessment period. The directors have assessed the ability of DeLaval Holding BV to provide this support and have no concerns. According these financial statements are prepared on a going concern basis.

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.

Notes to the financial statements

at 31 December 2020

2. Accounting policies (continued)

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.

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. 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.

Notes to the financial statements

at 31 December 2020

2. Accounting policies (continued)

2.4 Significant accounting policies (continued)

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, equipment, fixtures and fittings	–	between 4 and 14 years
Freehold buildings	–	25 years

Freehold land is not depreciated.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Comprehensive Income.

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.

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.

Right of use assets

Until the 2018 financial year, leases of transport equipment was classified as an operating leases. From 1 January 2019, this lease was recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the company.

Notes to the financial statements

at 31 December 2020

2. Accounting policies (continued)

2.4 Significant accounting policies (continued)

Right of use assets (continued)

Lease liability is measured as the present value of the remaining lease payments for leases previously classified as operating leases. The discount rate is the incremental borrowing rate (IBR) as of January 1, 2019 and there is no option to use the rate implicit in the lease.

The lessee's incremental borrowing rate (IBR) is the rate of interest that a lessee would have to pay to borrow over a similar term and with a similar security the funds necessary to obtain an asset of a similar value to the right of use asset in a similar economic environment. IBR can be determined on a contract individual level or on a portfolio basis.

After transition, the incremental borrowing rate shall be used to calculate the present value of the lease payments and the corresponding right of use asset, when the interest rate implicit in the lease cannot be readily determined by the lessee.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Pensions

DeLaval Limited operated a defined contribution pension scheme during 2020. 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 becomes 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.

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.

Notes to the financial statements

at 31 December 2020

2. Accounting policies (continued)

2.4 Significant accounting policies (continued)

Financial instruments (continued)

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 default occurring always takes into consideration all possible default events over the expected life of those

Notes to the financial statements

at 31 December 2020

2. Accounting policies (continued)

2.4 Significant accounting policies (continued)

Financial Instruments (continued)

Impairment of financial assets (continued)

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 2020

2. Accounting policies (continued)

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

Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform has been adopted from 1 January 2020.

Amendments to IFRS 3: Definition of a Business has been adopted from 1 January 2020.

Amendments to IFRS 16: Leases COVID-19 Related Rent Concessions has been early adopted.

None of these changes have had any impact on these financial statements.

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:

	2020 £000	2019 £000
United Kingdom	19,352	19,618
	<u>19,352</u>	<u>19,618</u>

The timing of revenue is at point in time only.

4. Operating profit

This is stated after charging/ (crediting):

	2020 £000	2019 £000
Auditors' remuneration – audit of the financial statements	7	15
Depreciation of right of use assets	199	151
Depreciation of owned fixed assets	<u>62</u>	<u>38</u>
Foreign exchange loss/(gain)	<u>22</u>	<u>(10)</u>

During 2020, £13,943,000 (2019: £13,969,000) was recognised as an expense for inventories carried at net realisable value. This is recognised in cost of sales.

Notes to the financial statements

at 31 December 2020

5. Director's remuneration

	2020	2019
	£000	£000
Aggregate remuneration in respect of qualifying services	-	-
Value of company pension contributions to money purchase schemes for 1 director (2019 – 1 director)	-	-
	<u>-</u>	<u>-</u>

There are no director emoluments for the year ended 31 December 2020 (2019: £nil). The directors are remunerated by other group entities and no recharge is made to the company.

There are no retirement benefits accruing to the directors (2019 - £nil) under the company's defined contribution scheme.

No directors (2019 - £nil) exercised share options.

6. Staff costs

	2020	2019
	£000	£000
Wages and salaries	1,996	1,820
Social security costs	206	206
Other pension costs	213	209
Group life insurance	-	18
	<u>2,415</u>	<u>2,253</u>

Pension costs of £213k (2019 – £209k) 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:

	2020	2019
	No.	No.
Selling and distribution	29	31
Administration	8	5
Total	<u>37</u>	<u>36</u>

Notes to the financial statements

at 31 December 2020

7. Interest payable and similar charges

	2020 £000	2019 £000
Other interest payable	2	26
Interest on lease liabilities	59	13
Other finance costs	4	-
	<u>65</u>	<u>39</u>

Other interest payable relates to interest on amounts owed to group undertakings.

8. Tax credit/(charge)

(a) Tax on profit on ordinary activities

The tax credit/(charge) is made up as follows:

	2020 £000	2019 £000
Current tax:		
UK corporation tax on the profit for the year	(113)	(255)
Adjustment in relation to prior years	227	(81)
Deferred tax:		
Adjustment in relation to prior years	-	(78)
Original and revised offsetting differences	38	157
Total tax credit/(charge) on ordinary activities (note 8(b))	<u>152</u>	<u>(257)</u>

(b) Factors affecting total tax credit/(charge) for the year

The tax credit/(charge) for the year differs from the standard rate of corporation tax in the UK of 19% (2019 – 19%). The differences are explained below:

	2020 £000	2019 £000
Profit on ordinary activities before tax	<u>383</u>	<u>363</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2019 – 19%)	(73)	(69)

Effects of:

Expenses not deductible for tax purposes	(2)	(29)
Tax rate changes	-	-
Adjustments relating to prior year	227	(159)
Total tax for the year (note 8(a))	<u>152</u>	<u>(257)</u>

Notes to the financial statements

at 31 December 2020

8. Tax credit/(charge) (continued)

(c) Deferred tax

A deferred tax asset is recognised at 19% (2019 – 19%) in the financial statements as follows:

	2020	2019
	£000	£000
Decelerated capital allowances	125	87
Tax losses available for carry forward	-	-
Deferred tax asset	<u>125</u>	<u>87</u>

The movements in deferred tax are:

	£000
At 1 January 2020	87
Adjustment in respect of prior years	-
Deferred tax credit to income statement for the year	38
At 31 December 2020	<u>125</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.

The March 2020 Budget announced that a rate of 19% would continue to apply with effect from 1 April 2020 and was substantively enacted on 17 March 2020. Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2021 (on 24 May 2021). These include an increase to the main rate to increase the rate from 19% to 25% from 1 April 2023. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

Notes to the financial statements

at 31 December 2020

9. Tangible fixed assets

	<i>Freehold land and buildings</i>	<i>Plant equipment fixtures and fittings</i>	<i>Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>
Cost:			
At 1 January 2020	750	529	1,279
Additions	-	167	167
Disposals	-	(121)	(121)
At 31 December 2020	<u>750</u>	<u>575</u>	<u>1,325</u>
Accumulated depreciation:			
At 1 January 2020	400	432	832
Charge for the year	20	42	62
Disposals	-	(120)	(120)
At 31 December 2020	<u>420</u>	<u>354</u>	<u>774</u>
Net book value:			
At 31 December 2019	<u>350</u>	<u>97</u>	<u>447</u>
At 31 December 2020	<u>330</u>	<u>221</u>	<u>551</u>

Included in freehold land and buildings is freehold land at a cost of £250,000 (2019 – £250,000) which is not depreciated.

10. Stocks

	<i>2020</i>	<i>2019</i>
	<i>£000</i>	<i>£000</i>
Stock held for resale	<u>1,138</u>	<u>2,750</u>

11. Debtors

	<i>2020</i>	<i>2019</i>
	<i>£000</i>	<i>£000</i>
Trade debtors	3,188	4,061
Amounts owed by group undertakings	1,565	20
Deferred tax asset (note 8c)	125	87
Other debtors	-	19
Prepayments	16	459
	<u>4,894</u>	<u>4,646</u>

Amounts owed by group undertakings are interest free and repayable on demand.

Notes to the financial statements

at 31 December 2020

12. Creditors: amounts falling due within one year

	2020	2019
	£000	£000
Trade creditors	381	1,330
Amounts owed to group undertakings	359	1,377
Current corporation tax	66	255
Other taxes and social security costs	78	-
Lease liabilities – current	170	98
Accruals and other creditors	3,028	2,725
	<u>4,082</u>	<u>5,785</u>

Amounts owed to group undertakings are repayable on demand and incur interest at 1.7%

13. Right of use assets

The Company as a lessee

The Company's lease consists of transport equipment. The effect of adopting IFRS 16 as at 1 January 2019 is as per below:

	2020	2019
	£000	£000
Right of use assets		
As at 1 January	243	-
Additions during the year	814	394
Depreciation	(199)	(151)
As at 31 December	<u>858</u>	<u>243</u>

	2020	2019
	£000	£000
Leases liabilities included in the Statement of Financial Position		
Current	170	98
Non-current	<u>699</u>	<u>145</u>
	<u>869</u>	<u>243</u>

Notes to the financial statements

at 31 December 2020

13. Right of use assets (continued)

	2020	2019
	£000	£000
Amounts recognised in the Statement of Comprehensive Income		
Depreciation charged on right-of-use land	199	151
Interest on lease liabilities	59	13
	<u>258</u>	<u>164</u>

14. Pensions

Defined Contribution Plan:

Contributions of £213k (2019 – £209k) were made to the defined contribution plan in the current year. There were no outstanding or prepaid contributions at the balance sheet date.

15. Share capital

	No.	2020	No.	2019
		£000		£000
<i>Issued and fully paid</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 and the smallest group in which these financial statements are consolidated 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, the largest group in which these financial statements are consolidated, and the controlling party is Tetra Laval International SA, a company incorporated in Switzerland. A copy of the group financial statements, which include the company, is available from Avenue Général-Guisan 70, 1009 Pully, Switzerland.

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 dividends £500k to be paid out for fiscal year 2020 at this point (2019 – £nil).