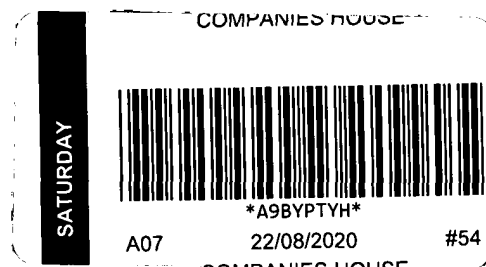


A E Rodda & Son Limited

Annual Report and Financial Statements Year Ended 31 March 2020

Registration number: 03833628



A E Rodda & Son Limited

Contents

Company Information	1
Strategic Report	2 to 4
Directors' Report	5 to 7
Statement of Directors' Responsibilities	8
Independent Auditor's Report	9 to 11
Profit and Loss Account and Statement of Retained Earnings	12
Statement of Comprehensive Income	13
Balance Sheet	14
Statement of Cash Flows	15
Notes to the Financial Statements	16 to 33

A E Rodda & Son Limited

Company Information

Directors

J W Pengelly
P E Rodda
N L Rodda
A J Rodda
R N Morriss
N A Kennedy
P J B O'Keeffe
T M Dennett
S D P Daykin

Company secretary

P E Rodda

Registered office

The Creamery
Scorrier
Redruth
Cornwall
TR16 5BU

Auditors

PKF Francis Clark
Statutory Auditor
Lowin House
Tregolls Road
Truro
Cornwall
TR1 2NA

A E Rodda & Son Limited

Strategic Report

Year Ended 31 March 2020

The Directors present their strategic report for the year ended 31 March 2020.

Principal activity

The principal activity of the company is the manufacturing, sale and marketing of Cornish Clotted Cream, liquid cream, bottled milk and wholesaling of other dairy products.

Fair review of the business

The Board are pleased to report the continued improvement with business performance and the fruition of the full benefits of the restructure plan. The operating profit, before exceptional costs and other operating income, is £1,821k comparing favourably to the prior year of £286k.

The gross profit has improved to 24.7% from 19.9% in the last year reflecting lower production costs, improved efficiencies and ongoing restructure savings. This has seen the company become cash generative for the year, with cash generated from operating activities of £4,203k (2019: £258k). Stock levels were further reduced and improvements in debtor performance were achieved. Due to the strong cash generation from our trading and settlement of an outstanding claim, reliance on external bank and asset finance has reduced substantially during the year from £3,318k to £468k. This has therefore provided the company with additional financial headroom for the remainder of the year.

The Executive and the Management team are continuing to focus on optimising and refining the shift pattern changes, SKU reduction and balancing the volumes of milk from our farmers (Direct Supply Group). The Direct Milk Supply seasonality payments were restructured, this helped to adjust the supply profile to be more closely aligned with the sales demands, delivering a closer volume match between direct supply and production requirements thus reducing exposure to surplus milk market pricing.

The Company continues to focus on the long-term plan of skim being sold directly to ingredient end users rather than via brokers, this contractual relationship has achieved greater price and demand stability.

The Rodda's brand continued to cement its National and International market leading position in the Clotted Cream category. The brand's focus is on growing its reach, not only through its loyalists but also by appealing to a new, younger generation of consumers which has been very successful. During the year we focused on our highly creative digital and social media platforms as well as engaging and promoting through more traditional communication channels. Opinion leaders in the media articulate Rodda's as the "go to Clotted Cream" brand which we will look to continue to amplify.

Revenue performance was strategic and satisfactory, with 'Cream' out-performing total dairy, and 'Clotted Cream' outperformed total Cream. This success is recognised through Rodda's presence in strong national customers, with long term agreements in both the Foodservice and Retail channels. Rodda's continues to keep a Regional focus in its traditional heartland, Cornwall and the South West, with distribution and service investment in both its Milk and Clotted Cream SKUs. A restructure and strengthening of the sales function in the back half of the year has allowed us to focus our expertise by channel, and approach each with a different strategy which will optimise results in 2020/21.

Rodda's continues its focus on and invest in People as a key driver to achieve a sustainable high-level performance leadership team. The Executive team and Board have been strengthened with two key appointments. Theresa Dennett as Finance Director. Theresa possesses experience in strategic,

A E Rodda & Son Limited

Strategic Report

Year Ended 31 March 2020

manufacturing and commercial finance roles, combined with broad ranging business passion and expertise. Theresa will give strategic leadership on our Systems, Process and Environmental change improvement programs. Secondly, Steve Daykin has joined the board as NED. Steve's significant commercial experience supported the business through the restructuring and will continue to strengthen and guide the business.

Credit must also be given to the Sales and Marketing teams in the year who have continued to support and grow the brand. This has been achieved through a restructure of the teams and strong leadership from experienced individuals who have brought new insights to the company to bring to life the brand plan and deliver on revenue opportunities.

We would like to thank Peter Farquhar for his service over the years especially within the function of Brand and Sales. Peter's commercial and branded experience clarified and helped formulate our strategy over the last 5-6 years.

Investment in People is essential, a new senior Head of People role was created to take strategic people focus and employee engagement to the next level, reporting into the Managing Director.

Commercial relationships

We have a broad customer base spanning Foodservice, International, Retail and Manufacturing channels. We continue to develop close working relationships with our commercial team, aligning customer goals and our plans to maximize opportunities for both. We are committed to continue with our investment plans of brand building activity to engage our consumers and drive increased sales through our customer base which will reduce our commercial exposure.

Essential ingredients

The creamery is reliant on the supply of one key raw material, Cornish milk. All our milk is sourced from local farms within a 30-mile radius of the creamery. The Directors believe that the commitment and close working relationship with the Direct Milk Supply Group gives the business the opportunity to align both parties' requirements for mutual success.

The plans and preparations for the two previous Brexit dates are still valid and current. Further contingencies are being implemented as information is disseminated into the public domain.

Product quality

The brand continues to strengthen with customers and consumers, and is fundamentally reliant on the quality of its products and service levels meeting their expectations. The company has invested significant time, money and resource into ensuring that we have a strong leadership team and robust quality process throughout the business. The creamery site is accredited to BRC Global Standard for Food Safety at Grade A standard and in addition has many individual customer accreditations as well.

Working capital

The company has a relatively short working capital cycle due to the short shelf life of both the raw material and the finished goods produced.

A E Rodda & Son Limited

Strategic Report

Year Ended 31 March 2020

The company finances its operations through a combination of retained profits and debenture loans from connected parties along with purchasing a percentage of fixed assets on finance leases so as to match cash outflow with the utilisation of the assets. In addition, the company has various other financial assets and liabilities such as trade debtors and creditors arising directly from its operations.

Although the company has an invoice discounting facility to support this working capital requirement, due to the improved results, this was not being utilized at the year end.

Rodda's has further strengthened its working capital and banking position with a move to HSBC during the year. The company feels HSBC can better support the future and continued growth of the business.

The company is dealing with a number of major retailers and Foodservice companies which is reflected in our trade debtor balance. The credit risk associated with our trade debtor balance is limited because a large proportion of customers are large corporations with high credit ratings. All customers who wish to trade on credit terms are subject to credit verification procedures. Debtor balances are monitored on an ongoing basis and provision is made for doubtful debts where necessary.

The company manages its cash and borrowing requirements to minimise interest expense, whilst ensuring that the company has sufficient liquid resources to meet the operating needs.

Summary

The Board are pleased with the successful delivery of the restructure plan in 2019/20, making it a year of continued recovery and strengthening the business position, seeing the full annualised benefits of the corrective actions taken in 2018/19. Since 31 March 2019, the company has continued to deliver improved margins from a lower cost base and continued optimised Milk utilisation. The Board's focus and priority will be to continue to invest and leverage brand equity with our loyal consumers and recruit new consumers across the Foodservice, International and Retail channels to drive the revenue.

Approved by the Board on 19th August 2020 and signed on its behalf by:



.....
N L Rodda
Director

A E Rodda & Son Limited

Directors' Report

Year Ended 31 March 2020

The Directors present their report and the financial statements for the year ended 31 March 2020.

Directors of the company

The Directors who held office during the year were as follows:

J W Pengelly

P E Rodda

N L Rodda

A J Rodda

R N Morriss

P C E Farquhar (resigned 19th December 2019)

N A Kennedy

P J B O'Keeffe

T M Dennett (appointed 16th October 2019)

S D P Daykin (appointed 19th December 2019)

Going concern commentary:

In preparing and approving these financial statements the Board have given due consideration to going concern risks, and in particular the impact of the Coronavirus pandemic. The pandemic has led to widespread and profound economic shock. For Rodda's this has led to a reduction in trading levels with certain sales channels such as International and Foodservices (hotels and restaurants), but this was offset in the initial months with stronger than expected Milk sales as Rodda's supported both our Regional and National customers with additional Milk during the uncertainty and 'panic' buying. Through the combination of the Brand Strategy and multi platform activity, on pack and radio advertising, we saw a strong revenue recovery in May and June on the back of key events ie. VE Day, Whitsun and National Cream Tea Day. This manifested our biggest ever trading month and we continue to recruit new consumers into the category and maintain market leading levels of growth.

Throughout lockdown Rodda's has been one of the brands that has shone brightly through the Covid-19 crisis. Consumers have sought to purchase food products that provide them with reassurance and with the brand's strong heritage, trust, quality and authenticity it is a strong player in this field. Rodda's has offered creative solutions to tap into the home baking trend through working in partnership with celebrity chefs and other social media influencers which has seen our reach and engagement on social media increase hugely. The trend for home baking has allowed us to leverage our existing channels and campaigns really well with an on-pack competition in store being launched in May and our first ever national radio campaign. Due to our strong financial position entering the crisis, we have been fortunate to be able to continue investing behind the brand despite the challenges of the crisis which is the sign of a successful brand.

This strength has been highlighted in the increased forecast Retail sales for the rest of the year, which will counter the possible slow recovery in International and Foodservice markets.

In reaching a conclusion on the going concern assumption the Board considered and factored in the following matters:

A E Rodda & Son Limited

Directors' Report

Year Ended 31 March 2020

- i) The Board and Management have reforecasted (a 3+9 format) and will reforecast if or when required. The team have prepared these forecasts considering a range of scenarios, in particular fluctuations in sales demands and key costs, such as Raw Milk prices.

Management accounts are monitored weekly/monthly, against these forecasts to ensure the desired performance levels are being attained. For the first quarter of this year 2020/21, with a considerably different revenue blend, the business traded on par with previous year's performance.

The company continues to have the benefit of the cash from year end 2019/20 and bank facilities which are not currently utilised. As a result, the post year end 2020/21 management accounts are currently demonstrating that the company has a robust business model that can meet the challenges arising from the pandemic.

- ii) The Board enjoys a strong relationship with its lenders, and feels there is adequate existing provision in place and available to the company should the need arise. Current cash flow forecasts demonstrate that the company will have sufficient headroom to avoid needing additional finance at this stage.
- i) The Shareholder company is still actively supporting the company with £1.3m of capital invested in the business in the form of Directors' loans and long term debentures.
- ii) The company has accessed the Government's Job Retention Scheme which has assisted with reducing the costs incurred by the company post year end. The usage of the scheme was less than anticipated due to the strong demand over the quarter to 30 June 2020.
- iii) The Board have implemented various cost saving measures (with a particular focus on energy efficiencies) across the company to minimise some of the financial impacts arising from the pandemic.
- iv) Operationally, where the company has been trading through lockdown various policies and procedures have been put in place to ensure the health and safety of the day-to-day staff that have been retained. Clearly, in some areas this does give rise to a minor financial cost, but these steps are necessary and are being adopted by the vast majority of businesses across the UK.

After due consideration of these factors the Directors are satisfied that the company will be able to operate within the available facilities and continue as a going concern for the foreseeable future – being a period no less than 12 months from the date of approval of these financial statements.

A E Rodda & Son Limited

Directors' Report

Year Ended 31 March 2020

Disclosure of information to the auditors

Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information. The Directors confirm that there is no relevant information that they know of and of which they know the auditors are unaware.

Approved by the Board on 19th August 2020 and signed on its behalf by:

A handwritten signature in black ink, appearing to read 'Nicholas Rodda', written over a dotted line.

N L Rodda
Director

A E Rodda & Son Limited

Statement of Directors' Responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the 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 apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

A E Rodda & Son Limited

Independent Auditor's Report to the Members of A E Rodda & Son Limited

Opinion

We have audited the financial statements of A E Rodda & Son Limited (the 'company') for the year ended 31 March 2020, which comprise the Profit and Loss Account and Statement of Retained Earnings, Statement of Comprehensive Income, Balance Sheet, Statement of Cash Flows, and Notes to the Financial Statements, 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 Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 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

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 Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our 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 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 this other information, we are required to report that fact.

A E Rodda & Son Limited

Independent Auditor's Report to the Members of A E Rodda & Son Limited

We have nothing to report in this regard.

Opinion on other matter 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 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 our 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 and the Directors' Report.

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

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

Responsibilities of Directors

As explained more fully in the Statement of Directors' Responsibilities 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.

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

A E Rodda & Son Limited

Independent Auditor's Report to the Members of A E Rodda & Son Limited

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.

PKF Francis Clark

Michael Bentley ACA DChA (Senior Statutory Auditor)
PKF Francis Clark, Statutory Auditor

Lowin House
Tregolls Road
Truro
Cornwall
TR1 2NA

Date: 19th August 2020

A E Rodda & Son Limited

Profit and Loss Account and Statement of Retained Earnings

Year Ended 31 March 2020

	Note	2020 £ 000	2019 £ 000
Turnover	3	38,375	36,848
Cost of sales		(28,877)	(29,502)
Gross profit		9,498	7,346
Distribution costs		(4,961)	(4,546)
Administrative expenses		(2,716)	(2,514)
		1,821	286
Exceptional costs associated with restructuring	6	-	(250)
Other operating income	4	93	93
Operating profit	5	1,914	129
Other exceptional item	6	(32)	(75)
Other interest receivable and similar income		-	2
Interest payable and similar charges	9	(98)	(26)
Profit before tax		1,784	30
Taxation	10	(447)	-
Profit for the financial year		1,337	30
Retained earnings brought forward		2,506	2,476
Retained earnings carried forward		3,843	2,506

The above results were derived from continuing operations.

The company has no recognised gains or losses for the year other than the results above.

A E Rodda & Son Limited

Statement of Comprehensive Income

Year Ended 31 March 2020

	2020 £ 000	2019 £ 000
Profit for the year	<u>1,337</u>	<u>30</u>
Total comprehensive income for the year	<u>1,337</u>	<u>30</u>

A E Rodda & Son Limited

Balance Sheet

31 March 2020

	Note	2020 £ 000	2019 £ 000
Fixed assets			
Intangible assets	11	99	74
Tangible assets	12	3,901	4,621
		<u>4,000</u>	<u>4,695</u>
Current assets			
Stocks	13	1,923	2,535
Debtors	14	3,996	4,456
Cash at bank and in hand	15	1,459	4
		<u>7,379</u>	<u>6,995</u>
Creditors: Amounts falling due within one year	16	<u>(4,078)</u>	<u>(5,602)</u>
Net current assets		<u>3,301</u>	<u>1,393</u>
Total assets less current liabilities		<u>7,301</u>	<u>6,088</u>
Creditors: Amounts falling due after more than one year	16	(3,116)	(3,418)
Deferred income	19	(61)	(154)
Deferred tax provision	10	<u>(271)</u>	<u>-</u>
Net assets		<u>3,853</u>	<u>2,516</u>
Capital and reserves			
Called up share capital	21	10	10
Profit and loss account		<u>3,843</u>	<u>2,506</u>
Total equity		<u>3,853</u>	<u>2,516</u>

Approved and authorised by the Board on 19th August 2020 and signed on its behalf by:



N L Rodda
Director

Company Registration Number: 03833628

A E Rodda & Son Limited

Statement of Cash Flows

Year Ended 31 March 2020

	Note	2020 £ 000	2019 £ 000
Cash flows from operating activities			
Profit for the year		1,337	30
Adjustments to cash flows from non-cash items			
Depreciation and amortisation	5	489	615
Other exceptional item	6	4	-
Finance costs	9	98	26
Taxation	10	447	-
		<u>2,375</u>	<u>669</u>
Working capital adjustments			
Decrease in stocks	13	612	987
Decrease in debtors	14	460	11
Increase/(decrease) in creditors	16	849	(1,316)
Decrease in deferred income, including government grants	19	(93)	(93)
		<u>4,203</u>	<u>258</u>
Cash generated from operations			
Corporation tax received	10	-	205
		<u>4,203</u>	<u>463</u>
Net cash flow from operating activities			
Cash flows from investing activities			
Interest received		-	2
Acquisitions of tangible assets	12	(356)	(190)
Acquisitions of intangible assets	11	(36)	-
Proceeds from settlement of assets under construction		594	-
		<u>202</u>	<u>(188)</u>
Net cash flows from investing activities			
Cash flows from financing activities			
Interest paid	9	(98)	(26)
Payments to finance lease creditors	17	(274)	(329)
(Payments) / advances - invoice discounting facility	17	(2,567)	394
Advance from Directors	16, 23	-	400
		<u>(2,939)</u>	<u>439</u>
Net cash flows from financing activities			
Net increase in cash and cash equivalents			
		<u>1,466</u>	<u>714</u>
Cash and cash equivalents at 1 April	15	(7)	(721)
Cash and cash equivalents at 31 March	15	<u>1,459</u>	<u>(7)</u>

The notes on pages 16 to 33 form an integral part of these financial statements.

A E Rodda & Son Limited

Notes to the Financial Statements

Year Ended 31 March 2020

1 General information

The company is a private company limited by share capital, incorporated in England and Wales.

The address of its registered office and principal place of business is:

The Creamery

Scorrier

Redruth

Cornwall

TR16 5BU

These financial statements were authorised for issue by the Board on 19th August 2020.

2 Accounting policies

Summary of significant accounting policies and key accounting estimates

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

Statement of compliance

These financial statements were prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

Basis of preparation

These financial statements have been prepared using the historical cost convention except that as disclosed in the accounting policies certain items are shown at fair value.

The functional currency of the company is considered to be pounds sterling because this is the currency of the primary economic environment in which the company operates.

Summary of disclosure exemptions

FRS102 allows a qualifying entity certain disclosure exemptions, which are subject to certain conditions being adhered to. The company has therefore taken advantage of the following exemptions:

- From the financial instrument disclosures, required under FRS102 paragraphs 11.39 to 11.48A and paragraphs 12.26 to 12.29 as the information is provided in the consolidated financial statement disclosures;
- From disclosing the company key management personnel compensation, as required by FRS102 paragraph 33.7.
- From disclosing transactions and balances with other wholly owned members of the group as per FRS102 paragraph 33.1.

A E Rodda & Son Limited

Notes to the Financial Statements

Year Ended 31 March 2020

Revenue recognition

Turnover comprises the fair value of the consideration received or receivable for the sale of goods and provision of services in the ordinary course of the Company's activities. Turnover is shown net of sales/value added tax, returns, rebates and discounts.

The Company recognises revenue when; the amount of revenue can be reliably measured; it is probable that future economic benefits will flow to the entity; specific criteria have been met for each of the Company's activities.

Foreign currency transactions and balances

Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into the respective functional currency of the entity at the rates prevailing on the reporting period date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the initial transaction dates. Non-monetary items measured in terms of historic cost in a foreign currency are not translated.

Tax

Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

The current corporation tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates taxable income.

Deferred tax is recognised on all timing differences at the balance sheet date unless indicated below. Timing differences are differences between taxable profits and the results as stated in the profit and loss account and other comprehensive income. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

The carrying amount of deferred tax assets are reviewed at each reporting date and a valuation allowance is set up against deferred tax assets so that the net carrying amount equals the highest amount that is more likely than not to be recovered based on current or future taxable profit.

Intangible assets

Intangibles assets are stated in the financial statement of financial position at cost, less any subsequent accumulated amortisation and subsequent accumulated impairment losses.

A E Rodda & Son Limited

Notes to the Financial Statements

Year Ended 31 March 2020

Amortisation

Amortisation is provided on intangible assets so as to write off the cost, less any estimated residual value, over their useful life as follows:

Asset class

Computer software

Amortisation method and rate

Over 5 to 10 years straight line basis

Tangible assets

Tangible assets are stated in the balance sheet at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of tangible assets includes directly attributable incremental costs incurred in their acquisition and installation.

Depreciation

Depreciation is charged so as to write off the cost of assets, other than land and properties under construction over their estimated useful lives, as follows:

Asset class

Leasehold improvements

Plant and machinery

Motor vehicles

Assets under construction

Depreciation method and rate

Over 25 years straight line basis

Between 5 to 25 years straight line basis

Over 5 years straight line basis

Not depreciated

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is determined using the first-in, first-out (FIFO) method.

The cost of finished goods and work in progress comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition. At each reporting date, stocks are assessed for impairment. If stocks are impaired, the carrying amount is reduced to its selling price less costs to complete and sell; the impairment loss is recognised immediately in profit or loss.

A E Rodda & Son Limited

Notes to the Financial Statements

Year Ended 31 March 2020

Leases

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

Assets held under finance leases are recognised at the lower of their fair value at inception of the lease and the present value of the minimum lease payments. These assets are depreciated on a straight-line basis over the shorter of the useful life of the asset and the lease term. The corresponding liability to the lessor is included in the Balance Sheet as a finance lease obligation.

Lease payments are apportioned between finance costs in the Profit and Loss Account and reduction of the lease obligation so as to achieve a constant periodic rate of interest on the remaining balance of the liability.

Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

Defined contribution pension obligation

A defined contribution plan is a pension plan under which fixed contributions are paid into a pension fund and the company has no legal or constructive obligation to pay further contributions even if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Contributions to defined contribution plans are recognised as employee benefit expense when they are due. If contribution payments exceed the contribution due for service, the excess is recognised as a prepayment.

A E Rodda & Son Limited

Notes to the Financial Statements

Year Ended 31 March 2020

Financial instruments

Classification

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

All financial instruments are classified as basic.

Recognition and measurement

Financial instruments are recognised in the company's statement of financial position when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets, which include trade and other receivables and cash and bank balances, are initially measured at transaction price, including transaction costs, and are subsequently carried at the undiscounted amount of the cash or other consideration expected to be paid or received, after taking account of impairment adjustments. Where the arrangement constitutes a financing transaction the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Basic financial liabilities, including trade and other payables are initially measured at transaction price, including transaction costs, and are subsequently carried at the undiscounted amount of the cash or other consideration expected to be paid or received, after taking account of impairment adjustments. Where the item constitutes a financing transaction the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Financial assets are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

A E Rodda & Son Limited

Notes to the Financial Statements

Year Ended 31 March 2020

3 Turnover

During the year 0.8% of the company's turnover related to exports (2019 - 1.4%).

An analysis of turnover by geographical location is given below:

	2020	2019
	£ 000	£ 000
UK	38,073	36,317
Europe	48	341
Rest of world	254	190
	<u>38,375</u>	<u>36,848</u>

4 Other operating income

The analysis of the company's other operating income for the year is as follows:

	2020	2019
	£ 000	£ 000
Government grants	<u>93</u>	<u>93</u>

5 Operating profit

Arrived at after charging

	2020	2019
	£ 000	£ 000
Depreciation expense	478	605
Amortisation expense	11	10
Auditor's remuneration	13	12
Operating lease expense - other	<u>60</u>	<u>60</u>

A E Rodda & Son Limited

Notes to the Financial Statements

Year Ended 31 March 2020

6 Exceptional item

Items which are material either because of their size or their nature, or which are non-recurring, are presented within their relevant income statement category. The separate reporting of exceptional items helps provide a clear picture of the company's underlying performance.

An analysis of the amount presented as an exceptional item in these financial statements is given below and is in respect of:

	2020	2019
	£ 000	£ 000
Exceptional items before operating profit		
Exceptional costs associated with restructuring	-	250
	<hr/>	<hr/>
	2020	2019
	£ 000	£ 000
Exceptional items after operating profit		
Provisions for amounts owed by related company and costs to be incurred on behalf of a related company as guarantor	28	75
Settlement fee for legal claim relating to the assets under the course of construction	(750)	-
Disposal of assets under the course of construction	598	-
Legal and other costs associated with the legal claim	156	-
Other exceptional costs	<hr/>	<hr/>
	32	75

7 Staff costs

The aggregate payroll costs (including Directors' remuneration) were as follows:

	2020	2019
	£ 000	£ 000
Wages and salaries	4,121	4,217
Social security costs	370	380
Pension costs, defined contribution scheme	134	98
	<hr/>	<hr/>
	4,625	4,695

The average number of persons employed by the company (including Directors) during the year, analysed by category was as follows:

	2020	2019
	No.	No.
Production	105	118
General & Administration	21	20
Warehouse and distribution	23	15
	<hr/>	<hr/>
	149	153

A E Rodda & Son Limited

Notes to the Financial Statements

Year Ended 31 March 2020

8 Directors' remuneration

The Directors' remuneration for the year was as follows:

	2020 £ 000	2019 £ 000
Remuneration	302	207
Compensation for loss of office	-	74
Contributions paid to money purchase schemes	44	23
	<u>346</u>	<u>304</u>

The Executive team was refreshed and a Director's salary forgone in 2019. The Executive team was restored to a full complement during 2020.

During the year the number of Directors who were receiving benefits was as follows:

	2020 No.	2019 No.
Accruing benefits under money purchase pension scheme	<u>3</u>	<u>2</u>

In respect of the highest paid director:

	2020 £ 000	2019 £ 000
Remuneration	70	35
Compensation for loss of office	-	74
Company contributions to money purchase pension schemes	10	11
	<u>88</u>	<u>120</u>

9 Interest payable and similar expenses

	2020 £ 000	2019 £ 000
Finance charges	25	26
Other Interest	<u>73</u>	<u>-</u>
	<u>98</u>	<u>26</u>

A E Rodda & Son Limited

Notes to the Financial Statements

Year Ended 31 March 2020

10 Taxation

Tax charged/(credited) in the profit and loss account

	2020 £ 000	2019 £ 000
Current taxation		
UK corporation tax	176	-
Deferred taxation		
Arising from origination and reversal of timing differences	271	-
Tax charge in the income statement	447	-

The tax on profit before tax for the year is higher than the standard rate of corporation tax in the UK (2019 - lower than the standard rate of corporation tax in the UK) of 19% (2019 - 19%).

The differences are reconciled below:

	2020 £ 000	2019 £ 000
Profit before tax	1,784	30
Corporation tax at standard rate	339	6
Effect of revenues exempt from taxation	-	(10)
Effect of expense not deductible in determining taxable profit (tax loss)	21	28
Effect of changes in tax rates	10	(19)
Effect of adjustments made to the prior period	77	-
Tax (decrease)/increase arising from group relief	-	(5)
Total tax charge	447	-

A E Rodda & Son Limited

Notes to the Financial Statements

Year Ended 31 March 2020

Deferred tax

Deferred tax assets and liabilities

2020

Difference between accumulated depreciation and amortisation and capital allowances

Liability
£ 000

271

271

2019

Difference between accumulated depreciation and amortisation and capital allowances

Liability
£ 000

108

Tax losses carried forward

(108)

-

A E Rodda & Son Limited

Notes to the Financial Statements

Year Ended 31 March 2020

11 Intangible assets

	Computer software £ 000	Total £ 000
Cost or valuation		
At 1 April 2019	863	863
Additions	36	36
At 31 March 2020	899	899
Amortisation		
At 1 April 2019	789	789
Amortisation charge	11	11
At 31 March 2020	800	800
Carrying amount		
At 31 March 2020	99	99
At 31 March 2019	74	74

A E Rodda & Son Limited

Notes to the Financial Statements

Year Ended 31 March 2020

12 Tangible assets

	Short leasehold land and buildings £ 000	Plant and machinery £ 000	Motor vehicles £ 000	Assets in the course of construction £ 000	Total £ 000
Cost or valuation					
At 1 April 2019	5,025	11,821	49	598	17,493
Additions		356	-	-	356
Disposals	-	-	-	(598)	(598)
At 31 March 2020	5,025	12,177	49	-	17,251
Depreciation					
At 1 April 2019	3,958	8,874	40	-	12,872
Charge for the year	69	408	1	-	478
Eliminated on disposal	-	-	-	-	-
At 31 March 2020	4,027	9,283	41	-	13,350
Carrying amount					
At 31 March 2020	998	2,894	8	-	3,901
At 31 March 2019	1,067	2,947	9	598	4,621

Included within the net book value of land and buildings above is £998,000 (2019 - £1,067,000) in respect of short leasehold land and buildings.

Assets held under finance leases and hire purchase contracts

The net carrying amount of tangible assets includes the following amounts in respect of assets held under finance leases and hire purchase contracts:

	2020 £ 000	2019 £ 000
Plant and machinery	1,141	1,427

Depreciation for the year on these assets was £106,000 (2019 - £121,000).

A E Rodda & Son Limited

Notes to the Financial Statements

Year Ended 31 March 2020

13 Stocks

	2020	2019
	£ 000	£ 000
Raw materials	130	164
Packaging	280	347
Finished goods	1,503	2,000
Other inventories	10	24
	<u>1,923</u>	<u>2,535</u>

The cost of stocks recognised as an expense in the year amounted to £24,287,000 (2019 - £24,682,000).

Impairment of stocks

The amount of impairment loss included in profit or loss is £51,000 (2019 - £26,000).

14 Debtors

	2020	2019
	£ 000	£ 000
Trade debtors	3,720	4,268
Other debtors	184	131
Prepayments	92	57
	<u>3,996</u>	<u>4,456</u>

Included in trade debtors is £3,668,000 (2019 - £3,632,000) of debt which is secured under an invoice discounting arrangement. Although the Group has the invoice discounting facility this was not being utilized at the year end.

The total impairment recognised on trade debtors (bad debts) in the year was £155,000 (2019 - £86,000).

15 Cash and cash equivalents

	2020	2019
	£ 000	£ 000
Cash on hand	1	1
Cash at bank	1,458	3
	<u>1,459</u>	<u>4</u>
Bank overdrafts	-	(11)
	<u>1,459</u>	<u>(7)</u>

A E Rodda & Son Limited

Notes to the Financial Statements

Year Ended 31 March 2020

16 Creditors

	Note	2020 £ 000	2019 £ 000
Due within one year			
Loans and borrowings	17	265	2,843
Trade creditors		2,070	1,907
Amounts due to related parties	23	403	135
Social security and other taxes		91	65
Outstanding defined contribution pension costs		5	5
Other creditors		448	400
Accrued expenses		620	247
Corporation tax	10	176	-
		<u>4,078</u>	<u>5,602</u>
Due after one year			
Loans and borrowings	17	203	475
Debentures	23	900	900
Amounts due to related parties		<u>2,013</u>	<u>2,043</u>
		<u>3,116</u>	<u>3,418</u>

17 Loans and borrowings

Current loans and borrowings includes the following liabilities, on which security has been given by the company:

	2020 £ 000	2019 £ 000
Current loans and borrowings		
Bank overdrafts	-	11
Finance lease liabilities	265	265
Invoice discounting	-	2,567
	<u>265</u>	<u>2,843</u>
Non-current loans and borrowings		
Finance lease liabilities	<u>203</u>	<u>475</u>

A E Rodda & Son Limited

Notes to the Financial Statements

Year Ended 31 March 2020

The debenture loans carry interest at a rate of 2% over the bank base rate per annum. They carry no fixed repayment terms and are secured by a mortgage over leasehold property and by a floating charge over the company's other assets and undertakings.

The debentures were issued on 31 March 2001 to relatives of some Directors and the Directors consider the debentures to be part of the long term funding of the company.

The bank overdraft is secured by a charge over the company's assets.

Amounts due under hire purchase contracts are secured against the underlying assets.

Group guarantee in favour of the bank from A E Rodda & Son Group Limited and A E Rodda & Son Limited guaranteeing the obligations of each other to the bank.

The invoice discounting arrangement is secured against trade debtors and outlined within the note 14 to the financial statements.

18 Obligations under leases and hire purchase contracts

Finance leases

The total of future minimum lease payments is as follows:

	2020 £ 000	2019 £ 000
Not later than one year	265	265
Later than one year and not later than five years	203	475
	<u>468</u>	<u>740</u>

19 Deferred income

	2020 £ 000	2019 £ 000
Deferred income		
Government grants	<u>61</u>	<u>154</u>

A E Rodda & Son Limited

Notes to the Financial Statements

Year Ended 31 March 2020

20 Pension and other schemes

Defined contribution pension scheme

The company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the company to the scheme and amounted to £134,000 (2019 - £98,000).

Contributions totalling £5,000 (2019 - £4,000) were payable to the scheme at the end of the year and are included in creditors.

21 Share capital

Allotted, called up and fully paid shares

		2020		2019
	No. 000	£ 000	No. 000	£ 000
Ordinary shares of £1 each	10	10	10	10

22 Off-balance sheet arrangements

The company has contracts with milk suppliers where a set notice period is required to terminate the supply arrangement. During the notice period the company is committed to procuring a certain volume of milk depending on forecasts. Due to the uncertainty regarding volumes and future milk prices a financial commitment cannot be reliably quantified.

A E Rodda & Son Limited

Notes to the Financial Statements

Year Ended 31 March 2020

23 Related party transactions

Related Partnership

(Certain directors of the company are partners in the partnership)

The partnership operates the distribution side of the business. During the year the company purchased services from the partnership amounting to £1,466,000 (2019 - £1,272,000). At the balance sheet date the amount due to the partnership was £403,000 (2019 - £135,000).

Relatives of some Directors

Relatives of some Directors hold debenture loans in the company. During the year interest of £25,000 (2019 - £nil) was charged on these debenture loans. At the balance sheet date the amount due to relatives of some Directors was £900,000 (2019 - £900,000).

The debentures were issued on 31 March 2001 and the Directors consider the debentures to be part of the long term funding of the company.

Related Company

(A company under common control)

During the year A E Rodda & Son Ltd incurred costs on behalf of a related company of £376,000 (2019 - £314,000). The related company made sales to A E Rodda & Son Ltd of £376,000 (2019 - £239,000).

As per the exceptional items note, A E Rodda & Son Ltd has put a provision in place of £28,000 (2019- £75,000) against amounts due from the related company and costs to be incurred on behalf of the related company as guarantor.

At the balance sheet date the amount due from the related company was £nil (2019 - £nil).

Directors

During the year interest of £48,000 was accrued on Directors' loan previously advanced to A E Rodda & Son Limited. At the balance sheet date the amount due to Directors was £448,000 (2019 - £400,000) which is disclosed within other creditors.

A E Rodda & Son Limited

Notes to the Financial Statements

Year Ended 31 March 2020

24 Parent undertaking

The company's immediate parent is A E Rodda & Son Group Limited.

These financial statements are available upon request from
The Creamery
Scorrier
Redruth
Cornwall
TR16 5BU

The ultimate controlling party is the directors, who own 100% of the share capital of the parent company.